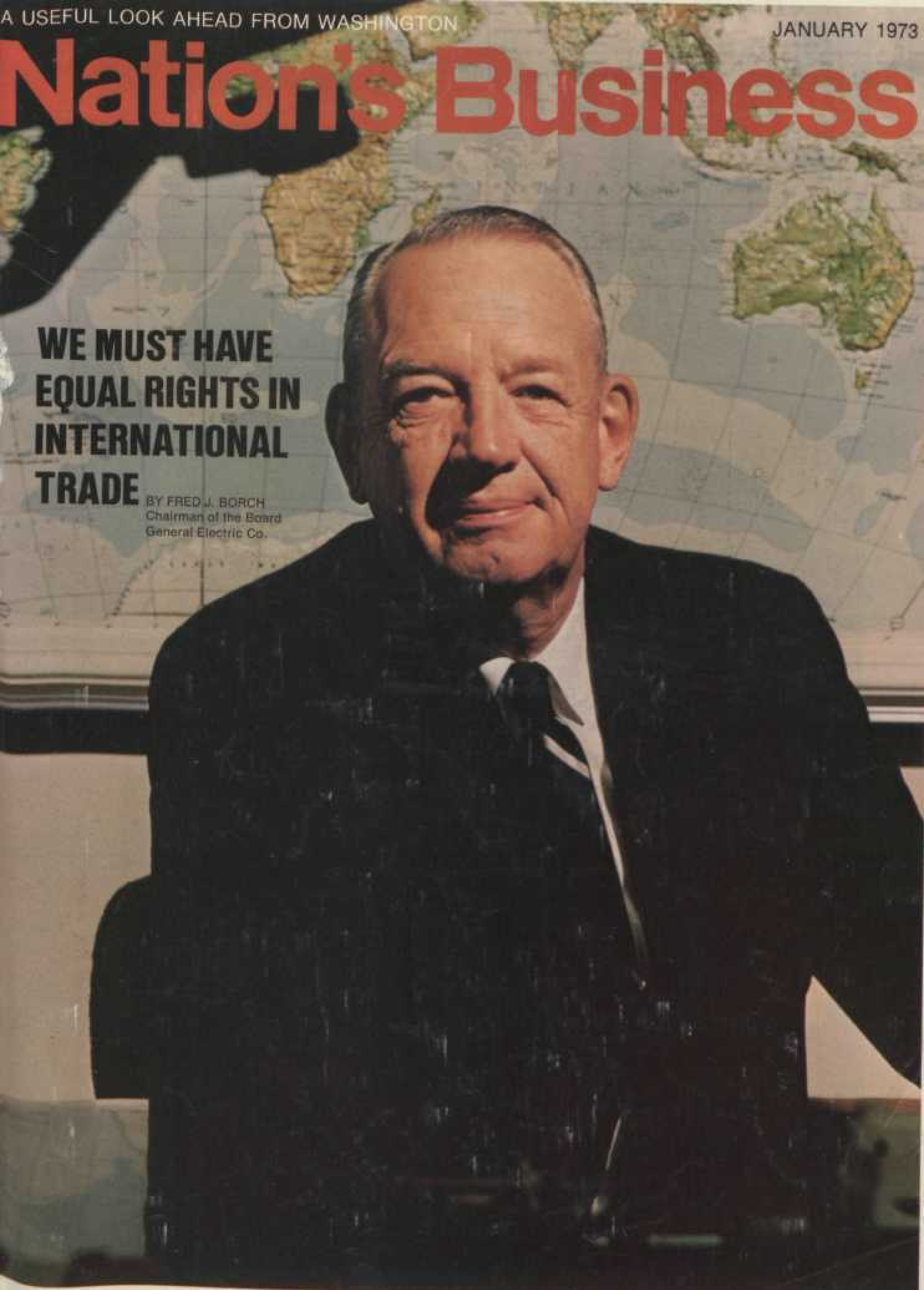
A USEFUL LOOK AHEAD FROM WASHINGTON

JANUARY 1973

Nation's Business



WE MUST HAVE EQUAL RIGHTS IN INTERNATIONAL TRADE

BY FRED J. BORCH
Chairman of the Board
General Electric Co.


GM
MARK OF EXCELLENCE
New for '73
THE GMC NEW BREED
GMC
GMC knows you want a truck that shows profit, not age.
And to show you we mean business, we've built the world's newest truck plant.
Computer automation is helping us build a whole new line of trucks that are easy to service, strong, with a long life to look forward to.
Things that can help save you money.
Example: our new Electro-Dip process where every cab is submerged in primer, then electrically charged to draw the primer to it like a magnet.
Result: more complete corrosion protection for extended truck life.
Or the new GMC tilting hood that's available. Benefit: fast, easy servicing. Or the new instrument gages that come right out the front of the instrument panel in a jiffy. Result: service time reduced.
Servicing speed. Long life. Dependability. Savings.
That's what the '73 GMCs are all about.
GMC
The Truck People from General Motors

The Great Simplifier.

A single business insurance policy that does the job of two, three, maybe even four other policies.

Let's say you've got four policies covering property damage, liability, burglary and vandalism, and business income loss. OK, we'll give you the same coverage in one convenient policy and probably save you a chunk of money in the process.

We've cut the red tape out of business insurance and made it easier to understand, buy and make a claim on. You can eliminate costly overlaps and possible gaps in your protection. You select exactly how much protection you want in each area and we give you just that. You pay for what you need and nothing more.

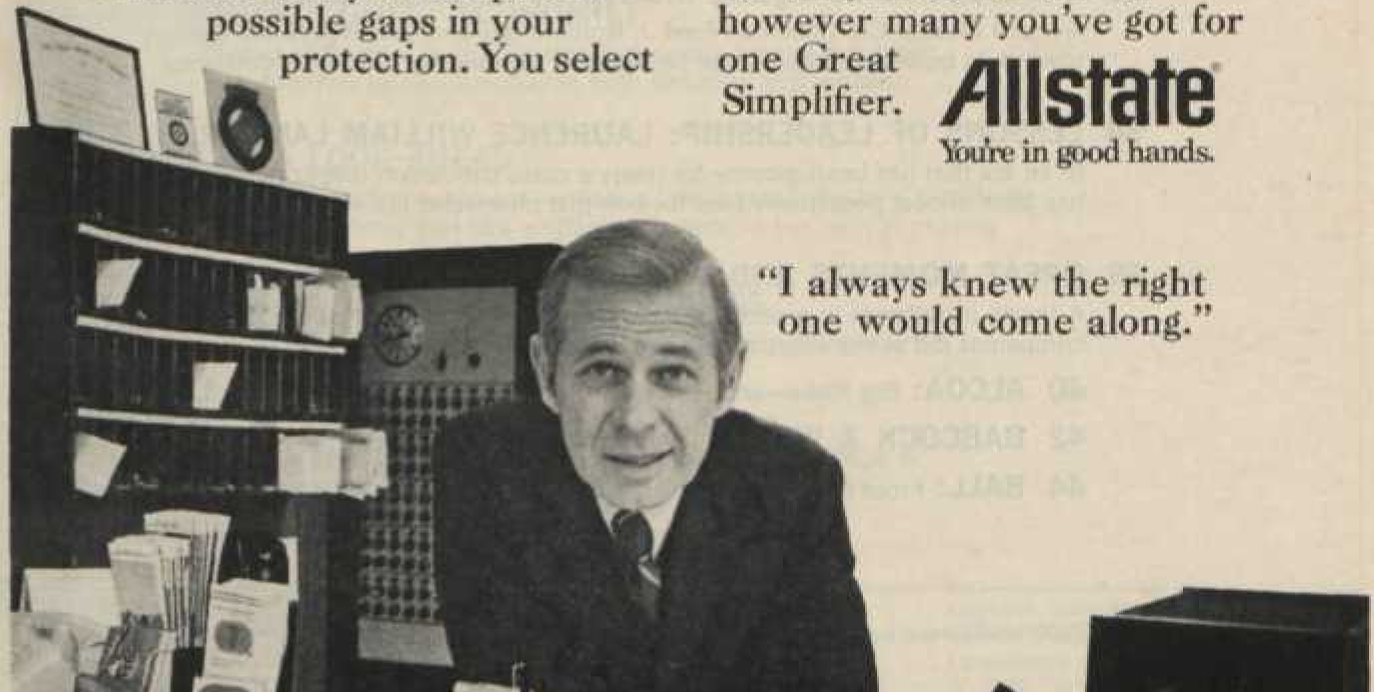
It's simple. One policy, one agent, one company and one premium.

There are already over 250,000 businesses insured by Allstate. Practically every kind of business there is.

Call Allstate and see how much you may save trading two for one, three for one or however many you've got for one Great Simplifier.

Allstate

You're in good hands.



"I always knew the right one would come along."

Available in most states.

Nation's Business

Cover photograph by Yoichi R. Okamoto

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PUBLISHED IN WASHINGTON, D.C., BY THE CHAMBER OF COMMERCE OF THE UNITED STATES, THE NATIONAL FEDERATION OF ORGANIZATIONS REPRESENTING MORE THAN FIVE MILLION BUSINESS AND PROFESSIONAL PEOPLE AND COMPANIES.

Memo From the Editor

Nation's Business • Published by the Chamber of Commerce of the United States • 1615 H Street N.W., Washington, D.C. 20006

Maybe you think we should change our name to *International Business*, what with the emphasis we've been placing on world economics lately.

In reality, of course, international markets offer great potential for a great number of concerns in this nation. There may be some opportunities you have overlooked for your company.

This month's cover article (page 28) is a perceptive analysis of what's wrong with America's foreign trade policy and what needs to be done to correct it. The author, and the man on our cover, is Fred J. Borch, who retires this month as chairman of the board of General Electric after nine years in that post.

GE is a prime example of American companies which have been successful overseas, so Mr. Borch has a special insight on opportunities and challenges there. You may not agree with all of his proposals—we don't necessarily buy them all—but we think you'll find his article one of the best on this difficult subject, which he also discussed in a recent speech.

• • •

As I reported last month, international trade and investment are subjects in which the Chamber of Commerce of the United States is highly interested.

As a follow-up to its recent mission to Europe on these subjects, the Chamber is now tentatively planning a first-of-its-kind meeting, in the spring, of top corporate executives from Europe, Japan and the United States. The Chamber has sponsored meetings between Americans and each of the other groups but this would be the first that would include all three.

• • •

You'll recall that the European mission was headed by Arch Booth, National Chamber Executive Vice President and our publisher. The foreign trip represented only one facet of Mr. Booth's duties as chief spokesman for American business.

He also has the duty of explaining Chamber policies and programs through the mass media and of attempting to explain our economic system in the face of that irrational dislike of business which we've been seeing so much of in our country.

The Chamber has an extensive communications program aimed at explaining our business system. It makes use of all the media—radio and television as well as print advertising and its own publications. If you see a TV spot or an ad in your local paper that explodes some of the myths about profits or wages or the like, it's probably the work of the National Chamber.

Nero: an early reorganizer.

Meanwhile, back in Washington, the Chamber is, of course, consistently at work as "The Voice of Business" in the halls of government.

Nowadays it's not quite as easy as in the past to tell who you're looking for in those halls, because of President Nixon's shake-ups.

A fellow named John Kidner, who's sort of a professional spoofer of bureaucrats, notes that there's nothing new about such shake-ups.

He reports that as long ago as the days of the Emperor Nero, one of Nero's officials, Petronius Arbiter, moaned: "It seems that every time we formed into teams we would be reorganized."

Arbiter was frustrated because constant reorganizations played havoc with his programs. It may have been he who ultimately convinced Nero that the constant change should stop and that there should be a once-and-for-all reorganization starting from scratch.

Nero apparently agreed and as a start, shortly thereafter, he burned Rome.

Jack Wooldridge


Who says a good woman is hard to find?
We've got over 18,000 here in Beaumont.
These women are ready, willing and available for work right now. And that's just for openers.
We've got the money, too, to help you build and relocate. That's where our Economic Development Foundation comes in. And, here on the sunny Gulf Coast, you've got lots of room to grow.
If you'd like more information about our female labor supply, just return the coupon. By the way, it's not hard to find good men in Beaumont either.
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NAME
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Economic Development Foundation
Dept. NB
P. O. Box 3150
Beaumont, Texas 77704
(713) 838-6581
BEAUMONT, TEXAS:
we've got it.

Peace Officers' Peace of Mind

• Congressman Richard H. Ichord's article on frivolous lawsuits against police officers ["Lawsuits That Handcuff Our Lawmen," November] was of great interest to myself and to the ranking officers of the City of Daytona Beach Police Department.

It is clear that the nation's police officers need some kind of protective legislation. It is a great injustice to them when the agitators visit the local tax-supported free legal service and instigate, often with the encouragement of these "poverty" lawyers, a frivolous suit in federal or state court.

In the case of a so-called Section 1983 suit, the officer himself is the only named defendant, as the city may not be sued. Therefore, the officer must foot his legal bills out of his own pocket, and the plaintiff may tap the resources of the public treasury.

Although a sizable portion of these suits are dismissed for what they are, i.e., harassment, the ordinary police officer can be left penniless.

ROYALL P. TERRY JR.
Police Legal Adviser
City of Daytona Beach
Daytona Beach, Fla.

• Rep. Ichord's article is timely. However, the problem is not peculiar to police. Industry, drugstores, truck drivers—all face a considerable increase of nuisance suits. Bond requirement for plaintiffs is a good thought in allaying some suits, as Rep. Ichord proposes. But bond requirement should not stop at the police. It should be extended to all businessmen.

JACK LEONARD
Temple, Texas

• As a law enforcement officer and a member of the Peace Officers Research Association of California, I wish to commend you for publishing Congressman Ichord's article.

PORAC has recognized the problem of lawsuits to the extent that we have introduced legislation in the State of California to require public agencies to provide for the liability of peace officers they employ.

Also, PORAC has successfully negotiated a professional liability insurance program for our members to provide protection against lawsuits, giving officers some peace of mind and allowing them to maintain a vigorous approach to law enforcement.

Needless to say, we in law enforcement sincerely support legislation as proposed by Congressman Ichord,

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Letters *continued*

and certainly hope that every law-abiding citizen will do so, too.

JOE ACETO
PORAC, Insurance Board of Trustees
Colton, Calif.

The write approach

• Re your editorial, "You're the Boss" [November]. Writing letters to elected officials is not a complete waste of time, but it will do until a better one comes along.

The bureaucrats run the government and they thumb their noses at Presidents, Senators, Governors and editorial writers.

So cool it, baby. We aren't the boss. If we were, this group would be on the ropes.

JIM CROWLEY
President
Pioneer Foundry Co.
Jackson, Mich.

A big hand for handymen

• Re "Do-It-Yourself Is Big Business" [November]. Congratulations on a very concise, stimulating article. You were most successful in developing the flavor of these "hard core" handymen that we truly love in our stores.

Obviously, this market and its devotees will grow as time goes on. And the need to give these people the services and products to accomplish their many projects will continue strong, which is a good thing for my company.

CLARK A. JOHNSON
Senior Vice President
The Wickes Corp.
Saginaw, Mich.

Undermining profits

• I am enclosing a copy of a letter I received from Louisiana State Rep. Louis Jenkins regarding your article, "The Big Tax Reform Myth of 1972" [September].

Rep. Jenkins is 25 years old and perhaps our youngest legislator in Louisiana.

It is encouraging these days to find that some of our younger citizens have their two feet firmly planted in reality.

Rep. Jenkins says in part:

"You've undoubtedly read frequently in recent months that persons in upper income brackets are not paying their 'fair' share of federal income taxes because of the

existence of so-called 'tax loopholes'.

"The uproar over this alleged injustice disturbs me a great deal, because I believe this false issue is being exploited by persons whose real goal is (1) to raise taxes and (2) to equalize incomes through manipulation of the tax laws.

"Since being elected to the Legislature, I have become increasingly aware of movements, such as that urging 'tax reform', which are aimed directly at undermining the profit motive and our entire free enterprise system.

"Only by informing the public of the facts and selling the philosophy of capitalism is there any hope of preserving freedom in America. Don't you agree?"

LEWIS S. DOHERTY II
Doherty-[illegible]
Baton Rouge, La.

A-mazing

• Your statement ["Memo From the Editor," October] on the design of the cover of the latest official United States Government Organization Manual that the maze has only one entrance, at the top, and no way out, is erroneous.

There is a way out: You start at the top and go out at the top.

CHARLOTTE ANDREWS
Chicago, Ill.

[*Editor's Note: That's not the way you play the game.*]

Productive

• Re "Eight Ways to Increase Productivity—and Profits" [November]. I've been in personnel and employment a modest seven years. In that time I have tried to sell several "but-it's-never-been-done-before" management groups on current trends and ideas such as those Price Commission Chairman C. Jackson Grayson describes in his article.

Bravo for his informative check list, a copy of which should be standard in all briefcases as a constant reminder that every day is a new day—unlike yesterday—and that there is a promise in each tomorrow.

(MISS) MURPHY FILBRICK
Employment Supervisor
GTE Service Corp.
New York, N.Y.

Opening Avenues for Venture Capital

The past year has been a notable one for the small business investment company.

Vital impetus was given the SBIC industry through two significant pieces of legislation, each of which has opened avenues for venture capital to strengthen and quicken the pace of small business growth.

One measure, PL 92-213, allows the federal government to provide a 100 per cent full-faith-and-credit guarantee to institutions that make long-term funds available to SBICs. This means that SBICs which in the past have been hampered by lack of timely, assured federal funding can effectively go into the private money markets on a regular basis for funds needed to finance small business ventures.

Debentures of SBICs, when offered under this law, which was approved Dec. 22, 1971, attain the status of a "federal agency security." They are, among other things, exempt from SEC registration, are legal investments for federally supervised institutions, and are eligible for collateral for federal advances and discounts and for purchase and holding by national banks.

The first use of the law occurred last May, when a syndicate of underwriters headed by Goldman, Sachs; Merrill Lynch; Kidder, Peabody; and Salomon Brothers successfully offered $38.6 million of Small Business Administration-guaranteed SBIC debentures to the public.

SBA feels it is essential for SBICs to obtain such private financing since they comprise the institutional source of equity funds for small firms. Without the seed capital SBICs provide, many firms would never be able to start out or to maintain their growth.

The other measure, PL 92-595, approved last Oct. 27, raises the amount of federal funds available for a regular SBIC on $2 to $1 leverage (meaning it can get two federal dollars for each dollar of its own investment funds) from $7.5 million to $15 million. It also raises the federal fund ceiling from $10 million to $20 million on $3 to $1 leverage, and it lowers the amount of private capital required for $3 to $1 leverage from $1 million to $500,000.

In addition, the law gives MESBICs (SBICs financing socially or economically disadvantaged concerns) an interest subsidy rate of up to 3 per cent on the subordinated debentures they issue for the first five years of their terms. MESBICs can sell preferred stock to SBA in an amount equal to their private capital if this exceeds $500,000.

Another feature of the law allows regular SBICs to own all or part of a MESBIC, and permits MESBICs to be chartered as nonprofit organizations. In addition, all SBICs may invest in unincorporated businesses.

The effects of these legislative liberalizations are only beginning to be felt.

However, it is anticipated that there will be increased demand for leverage funds by SBICs in the next pooled public sale of their debentures, as a result of the additional availability. It appears likely that some smaller SBICs will attempt, through mergers and increases in private capital, to reach the $500,000 threshold for $3 to $1 leverage funds. And the new provision allowing SBICs to invest in the equity of unincorporated businesses will broaden the range of their potential clientele and make possible much greater use of equity financing by the small business community.

SBICs are one of the few effective and lasting financial high-risk partnerships between the federal government and the private sector. Some 274 regular SBICs around the country reported as of March 31, 1972, total assets of $673 million, with $502 million of outstanding investments in small business. During the 12 months ending on that date, they disbursed $169 million to small concerns.

Small businesses have received approximately 41,000 venture capital financings totaling more than $2 billion since the SBIC program began in 1958. The swing to equity or equity-type financing as contrasted with straight loans continued for the year ending last March 31, with 60.4 per cent of outstanding total disbursements representing equity and 39.6 per cent comprising loans. For the previous 12 months, the corresponding percentages were 59.4 and 40.6.

The profit picture brightened for SBICs in the year ending March 31, with 64 per cent of the companies reporting positive rates of return, as compared with 59 per cent in the previous year. Operating income was up only slightly, but the amount of realized gains after taxes was almost 2½ times that for the prior year.

Only 31 of the 49 MESBICs licensed as of last March 31 reported to SBA for the year then ending; the other 18 were new companies not yet in the reporting stage. About 65 per cent of the $12 million total assets of the reporting MESBICs was still in the form of cash and equivalents, reflecting the startup status of the MESBIC program. Not enough companies have as yet reported for periods of significant length to permit a valid analysis of trends in the MESBIC program.

The venture capital field is an exciting one. It is rewarding not only in terms of money, for SBICs can and do make money for their investors, but from the standpoint of personal challenge. Clearly, the climate for innovation has been enhanced; clearly, the availability of venture capital to SBICs has been improved; clearly, SBICs are an asset in expanding the nation's economy.

Prepared by the Small Business Administration.

Executive Trends

BY JOHN COSTELLO
Associate Editor

Where the grass is greener

It's in faraway places, says one authority.

"The man with international experience and expertise in marketing, sales, finance and general management is being sought in almost every corner of the globe," explains Frederick M. Linton, president, Boyden Associates, Inc.

"Like Brazil. The demand for executives there is high. Brazil's booming. And talented, home-grown executives are in short supply."

In 1972, Mr. Linton reports, his New York-based executive search firm's international assignments rose 35 per cent. It expects the same increase this year.

The American executive can cash in on this market. But he doesn't have a lock on it.

"He'll have to compete with executives of other countries," Mr. Linton says. "Even U.S. firms are no longer partial to him. They want an executive who can do the job regardless of nationality.

"And the same's true of non-U.S. multinational firms."

They're becoming a more important market for executive skills—even here at home.

"We have a growing list of search assignments from European and Japanese clients," Mr. Linton says.

"They want men to manage their investments overseas—like Japanese firms in Brazil—or to run U.S. plants or subsidiaries."

One example of that trend: Sony Corp. of America's new president is Harvey L. Schein, ex-CBS executive, succeeding Kazuo Iwama, now board chairman.

Are we headed toward B-Day?

There's a big event coming up Nov. 13, 1982.

That's what author—and self-styled bureaucrat—John Kidner says. In 1965, he points out in his new book, "The Kidner Report," the U.S. population was 194.6 million.

And 19.3 million were People Employed Because Government Buys Goods and Services (PEBGBGAS)—a ratio of one to 10.

In two years, he says, the ratio rose to one to 8.7.

And by 1969, it was one to 8.3.

Plot that trend line on paper he says, and on Nov. 13, 1982, everybody becomes a PEBGBGAS.

In his book, a spoof on the sprawling federal establishment, Mr. Kidner suggests we call Nov. 13, 1982, B-Day—for Bureaucracy Day.

If the idea sends chills up your spine, he offers this consolation.

What this means, he explains, is that everybody in the nation will be working for the government in charge of himself. Or, "Total indepen-

Executive Trends

continued

dence! And all this because bureaucracy has the initiative to find others to help with the work."

What an annual report may not tell

Cosmos Consolidated had a year that looked great.

Sales, for example, shot up $1 million—to $4.5 million. No baloney, it was right there in the annual report.

Cosmos became a hot stock and took off.

"But a close look told a different story," says Marilyn V. Brown, assistant vice president, Burnham & Co., Inc., New York City.

"Its balance sheet was the tip-off. It showed accounts receivable increased even more than sales.

"Cosmos was taking credit for sales—before the product was delivered or payment made. Finally, the product wasn't deliverable. The firm went broke."

Like daisies, this expert adds, annual reports won't always tell.

Unless, of course, you know how to read them.

"First look," she says, "at the auditor's certificate. Does it give the income statement and balance sheet a clean bill of health? Or does it have a long list of exceptions?"

The accounting firm, she points out, certifies only the income statement, balance sheet and footnotes that go with them.

"It says nothing about that glowing descriptive material, the five- or 10-year financial summary or financial highlights.

"Furthermore, certification means only that the results were prepared in accord with generally accepted accounting principles.

"And they leave a company plenty of leeway in how to report its results."

Here, she suggests, are some other points to check:

• Deferred costs.

"Often a company is spending heavily to develop new products. It's

Olds Delta 88.

It's one tough cookie. Because nobody babies a fleet car.

Fleet cars don't lead normal lives like ordinary cars. They work harder. Work longer. Take a lot more abuse.

Every minute they're down for service is like a meter ticking away on your cash register.

That's one reason more fleet buyers are turning to the Olds Delta 88. It's a big (225 inches from bumper to bumper), heavy car (4383 pounds curb weight for the Town Sedan) that's built to be tough all over.

And it's passed the tests to prove it.

The underbody was splashed through concentrated salt-brine 300 times during thousands upon thousands of test miles, to test corrosion and rust resistance.

Engines are run thousands of miles, then torn down to analyze each part, to test its durability.

Even the solid-foam seat and its handsome upholstery were pummeled 100,000 times to prove they could take it, too.

But nobody's perfect. So Olds designed the Delta 88 with easily removable instrument-panel components and quick-access door panels. To help keep downtime at a minimum if service is ever necessary.

And there's something else fleet buyers will be interested to learn. For '73, Delta 88 has a new hydraulic front bumper system and a new Swing-away Grille—so when the bumper gets bumped, the grille can swing out of the way of trouble.

As you can see, built-in durability is standard on an Olds Delta 88. So are power steering, power brakes (with discs up front), Turbo Hydra-matic transmission, our famous Rocket V-8 and smooth G-Ride System.

It just figures, a tough car now should mean a better car come turnover time. Maybe that's why Oldsmobile's resale value is traditionally high.

This year, take a good look at the Olds Delta 88. A lot of miles from now, you could be very happy you did.

For complete details of all Oldsmobile models for 1973, write for a copy of "Fleet Facts" to Fleet Sales Manager, Oldsmobile Division, Lansing, Michigan 48921.

Executive Trends

continued

legitimate to defer a lot of the expense—to be charged to future sales.

"But what if the product's a flop? Then there are no future sales.

"And that deferred cost is a charge against future profits.

"Even worse, it can mean the company's running out of cash—even though the income statement looks good."

- Receivables and debt.

"How big are they—compared to sales?

"Is the company piling up unsalable inventory?

"What about long and short-term debt? If they're high, compared to sales, the firm may face a financial crisis."

Lots of investors were burned on Penn Central, Career Academy and Stirling Homex stock, she points out.

"But they might not have, if they'd looked beyond the net income and earnings per share."

The age of the Pacific

That's the era we're entering, The National Management Association suggests.

"It's a period in which knowledge of management and business practices of the Far East—and our relationship with them—will be increasingly important," says Marion Kershner, executive vice president.

NMA's conducting a 27-day airborne seminar that will give U.S. businessmen a chance to see firsthand how our Eastern trading partners operate.

It includes nine days in Japan, and shorter visits to Taipei, Singapore, Bangkok and Hong Kong.

The package includes a four-hour college credit briefing at Woodbury College in Los Angeles, plus plant inspection and conferences, in all countries visited.

Price: $2,250. Departure date, March 23, 1973.

For details write President, Woodbury College, 1027 Wilshire Blvd., Los Angeles, Calif. 90017.

A Georgian Spreads the Joy of Reading

Fresh out of Emory Law School, Ed Elson offered to drive a truck or work in a warehouse to learn his father's book and magazine distributing business in Atlanta, Ga.

"No," said his father, Harry Elson. "I didn't invest all that education in you for that. Here, you sit next to me and I'll teach you the business."

A year later, in 1960, young Elson took over the Atlanta News Agency, which was grossing $1 million a year. He has propelled it to $20 million a year.

Ed Elson, who changed the firm name to Elson's, decided that books and magazines shouldn't be sold in drab surroundings. Elson's recently opened its fifteenth retail outlet—in San Francisco—and it plans to be in 30 cities by late 1973. All the outlets have bright lights and modern decor.

The firm's showpiece bookstore is in the middle of the lobby of the Atlanta International Airport, and it grosses $3,000 per square foot per year. It sells more books and magazines than any newsstand in the world—that's an admission from the people who run the famed newsstand at London's Waterloo Station, which enjoyed that distinction for decades.

Ed Elson shows off one of his newest bookstores, in Atlanta's Lenox Square.

Mr. Elson, 38, loves books and he wants everybody else to love them, too. Because he felt schoolchildren were intimidated by hard-cover texts, he introduced paperback bookstores in Atlanta area high schools, with all profits going to the schools. He also donated a bookmobile.

"I was not entirely altruistic," he says frankly. "The kids who learned to love books through our high school project are now some of my better customers in our retail outlets."

His efforts in this community project were the subject of a movie produced by the U.S. Information Agency, which portrayed Elson's as a model of civic and business enterprise.

A few years ago the Georgia State Literature Commission was spending most of its time seeking out pornography. Mr. Elson persuaded the group to focus its attention on healthy reading as well. A short time later, then-Gov. Lester Maddox launched a statewide "good reading" program.

"Reading is a great cure for the world," says Ed Elson. "And whatever success I have had is due to my determination to make reading easily available, at a decent price, to everyone." •

Questor Creates a New Employee Environment

When the Questor Corp. designed its new Spalding sporting goods plant in Ft. Smith, Ark., a couple of years ago it made no provisions for timeclocks—or foremen.

As part of what Questor calls its "Age of Aquarius" management philosophy, employees there are given a large say in the planning of new production and distribution facilities, and other types of extra involvement in their jobs are expected of them.

And this approach is paying off. A recent attempt to unionize the Ft. Smith plant was rejected 127 to 17 in a federally supervised election.

"We have lower absenteeism, higher morale and better productivity at the installations operating under this concept than in our major unionized plants," says Questor President P.M. (Sandy) Grieve.

"We let our employees determine their own job content and judge their own quality of performance."

At Ft. Smith, work groups are organized around complete product units and are held accountable for productivity and product quality. Individual workers are expected to communicate with each other to identify and solve problems related to products within their group.

The plant has no foremen and only seven higher supervisors, including the general manager. Everyone is on salary and gripes are thrown out on the table at regular "feedback dialogue" sessions.

According to Malcolm Warren, director of organization and management development, the Questor Corp. system is based on five "positive reinforcements"—or rewards for performing well—which the company has found most effective.

He lists these as money, praise or recognition, freedom to choose one's own growth opportunity, a chance to become more important or more useful and the power to influence others, whether they are coworkers or part of management.

"We have been able to create a new kind of employee environment by starting from scratch," says Mr. Grieve. "The worker is no longer an adjunct to a mechanical process."

The employees seem to agree. As one explains: "You are treated like you have common sense." •

continued on next page

Flab-Fighters Are Winning Victories

Not long ago, Phillips Petroleum Co. presented its chairman, W.W. Keeler, with a certificate showing he had jogged 400 miles in a year. Twenty employees asked immediately to join the company physical fitness program.

When President William Walton of Holiday Inns, Inc., was advised by his doctor to take off weight he launched an executive fitness program and told his staff: "This physical well-being is too good not to be shared. You can't have a good management team unless you have a group of men who feel good."

Pepsico's Board Chairman Donald M. Kendall, also a jogger, prods his subordinates into exercising and says bluntly: "If I find someone who hasn't been in the gym I let him know he'd better get there."

Lowe's Inc., of Cassapolis, Mich., offers bonuses for executives who trim excess poundage. President Edward Lowe started ICATLYC, which stands for "I Can't Afford to Lose You Club." Members are given a percentage of their salary for each pound they shed until reaching ideal weight.

More and more top businessmen are jumping on the physical fitness bandwagon and encouraging employees to join them. The aim, of course, is to reverse the trend in which heart and other diseases are killing employees in the prime of life.

Dr. Richard H. Morrison, who pioneered an executive fitness program for North American Rockwell Corp., says:

"If our program saves the health of just a few executives, and I believe the score is already much higher than that, the cost will have been more than repaid. A healthier executive is a more effective employee."

Life Insurance Co. of Georgia's Board Chairman R.H. Dobbs Jr agrees:

"It's good business to keep our key personnel healthy—it means less time loss. I'm also convinced that if we can add a few years to our employees' lives, it will mean a tremendous financial saving."

Phillips Petroleum promotes physical fitness with awards such as this one.

A sign in the gym where Pepsico Chairman Kendall works out tells the story succinctly. It reads:

"We make young colts out of old 45's." •

Bringing Our Schools and Industry Together

Augustine R. Marusi, president and board chairman of Borden, Inc., is a great believer in hire education. That's right—h-i-r-e.

The kind of "hire education" Mr. Marusi has in mind would be aimed at the 2½ million Americans who graduate from high school or drop out of high school or college annually with no planned career and few if any marketable skills.

Almost $30 billion is being spent to educate each yearly batch of these young people for potential failure, he says. In other words, they are not receiving the training needed to help them participate successfully in modern society.

"American education is in deep trouble," Mr. Marusi warns. "Its problems are not only financial, but also social, philosophical and managerial. Their magnitude and complexity place the solutions well beyond the capability of educators acting alone."

He feels that the future of American business—if not the survival of the free market system—is tied inextricably to the kind and quality of education given. If for no other reason than that it pays a major share of the education bill, he argues, business should become more involved in the educational system.

According to the Borden executive, business is spending about $15 billion a year on its own manpower instruction programs—a cost which would be drastically reduced if the educational system could be upgraded. Costs of public education are accelerating at the same time that business is investing more to correct educational deficiencies on the job, he notes.

Mr. Marusi favors enhancing the quality and variety of career education programs.

Also, he wants to see schools and industry get to know each other better. He says:

"All too frequently, schools develop and initiate courses and programs without ever considering local manpower needs, and business leaders don't keep educators informed of changing work requirements.

"Continuous communications between businesses and schools are necessary if mutual understanding is to be increased and if students are to receive adequate preparation." •

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Sound Off to the Editor

Is Your Representative a Free Agent?

"Your representative owes you not his industry only but his judgment; and he betrays instead of serving you if he sacrifices it to your opinion."

The famed British statesman Edmund Burke took that view of his duties in Parliament in a speech to his constituents nearly 200 years ago.

His declaration has since become a classic argument of those who feel a holder of elective public office shouldn't necessarily follow courses favored by those who elected him.

What should he do if he honestly thinks that voting according to their wishes would not serve the national interest—or theirs?

He should vote according to his own conscience, many people say.

Not so, say others. They argue that the heart of representative government is the assumption that legislators will carry out the wishes of the people whose votes they solicited. To do otherwise, the argument goes, is a breach of trust.

Many members of Congress obviously subscribe to this viewpoint, or at least pay it lip service. They conduct elaborate polls in their constituencies on specific issues. Others do no more than keep an eye on general sentiments in their districts or states.

The clash of opinion on how much of a free agent a representative should be has been highlighted by Capitol Hill votes many times in recent years.

In 1966, when the Senate debated a proposed constitutional amendment to overturn the Supreme Court decision against prayers in public schools, repeated references were made to polls showing overwhelming popular support for such an amendment.

"The people have spoken to us," Sen. Robert Byrd (D.-W.Va.) declared in urging approval. But Sen. Sam Ervin (D.-N.C.) said: "From a political standpoint, it would be very easy for me to support the proposed amendment. This I cannot do."

(The amendment was approved by a majority of Senators, but not the two thirds needed if it was to go to the House and then to state legislatures for ratification.)

Rep. Wilmer Mizell (R.-N.C.) said in a report to his constituents at the close of the last Congress: "I hope I have served your interests well and represented your views as accurately as possible."

On the other hand, California Rep. John G. Schmitz got increasingly out of step with his constituents in a series of attacks on the policies of President Nixon, whose legal residence at San Clemente is in their Congressional district.

The attacks were generally assumed to be the reason Mr. Schmitz was denied renomination in the Republican primary. But he said he had felt an obligation to speak out. (He wound up, of course, as the American Party's Presidential nominee.)

Should an elected representative use independent judgment? What do you think?

Jack Wooldridge, Editor
Nation's Business
1615 H Street N.W.
Washington, D.C. 20006

Should an elected representative use independent judgment? ☐ Yes ☐ No

Comments:..

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....

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Name and title.....................................
(PLEASE PRINT)

Company..

City...

Sound Off Response

Listening to Opportunity's Knock

A solid majority of NATION'S BUSINESS readers who answered the November "Sound Off to the Editor" question think America is still the land of opportunity for an aggressive, hard-working individual who wants to start a business and build it into a flourishing enterprise.

The question: "Has opportunity in business dwindled?"

Well over half of those responding say No. A sizable group, however, say business opportunity has dwindled, while a small number think the answer must be both Yes and No.

Even among those seeing lots of opportunity around in 1973 America, there is often a caveat: The opportunities are there—franchising and leisuretime businesses, for instance—but it's much more difficult to get into the new fields.

Government regulation and competition from big, powerful national firms are two formidable deterrents, some readers say. More than ever before, they add, expertise, ample financial backing and long, long hours are needed to succeed in the business world. Further, many point out, fewer people seem willing or able to make these sacrifices to be able to capitalize on the opportunities that come up.

Says Stephen P. Palisin, Jr., president of The Empire Plating Co. of Cleveland, Ohio: "Opportunity is more alive than ever for those willing to pay the price for success. Most people today seem to be willing to watch things happen, rather than to make them happen. Every industry is a growth situation—provided people work hard, think creatively and have the proper productive equipment."

Mr. Palisin's comments are backed up by W.K. Metcalfe, president of AER Corp., Ramsey, N.J.

"To those who are equipped and apply themselves, opportunity is great," he says. "To those who wait for someone else to get them started and then expect 'cradle to grave care,' opportunity in business or any other phase of life is lacking."

Several readers turn to personal experience to buttress their contention that opportunity's knock is still loud.

"As a relatively new business, we are keenly aware of what can be done through franchising, both for the franchiser and the franchisee," says James Johnson, a vice president of Snelling and Snelling, Inc., of Paoli, Pa., which bills itself as the "world's largest employment service." Mr. Johnson claims that "with a modest cash investment, a 100 per cent return on investment per annum is commonplace in our system."

"We started our business two years ago as a distributorship and added a service organization," reports George Cordell, of Cordell Distributing Co., Asheville, N.C. "Our increase in growth has been good, and we look for almost double volume in 1973."

Robert W. Parkinson, president of Research Press Co., Champaign, Ill., writes: "There are many opportunities in publishing if you select new or novel areas of interest. . . . In two years, our sales have gone from scratch to $600,000, and they will be $1 million this year [1972]."

"With little education or money," comments Clarence Metz, who owns and runs a drive-in restaurant in Salem, Ind., "we did it through franchising. Without professional help, though, we would probably have been down before we got a good start."

Many point to trends that spell more chances for business development.

"With a populace whose average income continues to expand, there's a growing opportunity for fortunes to be made by serving new demands of people who have the income and savings. I myself am a multimillionaire due to such current opportunities," says Donald J. Lewis, president and owner of radio station WHBI of New York City. However, he suggests that too much population growth, or excessive spending on social welfare or pollution control, could close such openings to success.

"Opportunity is much greater than ever before, but certainly different than 25 years ago," responds D.V. McConnohie, president of Custom Industrial Park Inc., Tampa, Fla. "It appears the greatest opportunity exists in furnishing efficient, competent and versatile technological and mechanical services."

"Every time I dine out or use the facilities of a hotel or motel I see opportunities for someone to easily do a better job and get response from prospective customers," comments Harold S. Price, executive secretary of the Illinois Mutual Association of Insurance Agents, Inc., Urbana, Ill. "Name any segment of our business world and there are opportunities."

Government's growing role in regulating business gets a lion's share of the blame from many of those who see diminishing business opportunities in the U.S.

"Government intervention, I believe, is the trouble," says David S. Lautner, executive vice president of Lautner Homes, Inc., Pensacola, Fla. "Heavy taxes, wage and price controls, safety controls and pollution controls are examples. It takes quite an operation just to keep up with the paper work."

Ronald A. Mayner, president of Ronald A. Mayner Co., Inc., Ozark, Ark., points a finger at "the vast amount of money it takes to get started and the skepticism of money lenders on long-term loans."

Competing with big companies gets tougher all the time, say others.

"A small business like ours in a few years will not compete against a large chain's store," reports Frank Barilla, a partner in Frank & Jerry Furniture and Appliance, Steubenville, Ohio. "They buy big at better prices and get delivery faster. It is now at the point where furniture manufacturing companies won't take your order unless it's a large one."


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Nation's Business
January 1973

The Holes in Ralph Nader's "Truth"

BY REP. EDWIN B. FORSYTHE (R.-N.J.)

A knight may fall if his thrusts aren't really on target

If an American company manufactures a faulty product, one that consistently fails to meet advertising claims, how long will the consumer continue to purchase the product?

If a Congressman consistently promises but doesn't perform, how long can he expect to stay in office?

To both questions the answer is: Not very long. The voter remembers and so does the consumer. Both the businessman and the Congressman must answer for past performance.

But what about the so-called "consumer advocate"? Must he fulfill his self-proclaimed, self-advertised role of defending the cause of the embattled consumer? Where is the test?

The American people want to know what's happening on the inside of corporations, of government agencies and of Congressional offices.

And when such a figure as "consumer advocate" Ralph Nader offers such information, many are ready to listen and believe. But Ralph Nader does not have to face the test of the marketplace or the ballot box. Thus, his responsibilities are heavy. Just as he would like to see products and Congressmen above reproach, so must his own product be without fault.

If he is to cast stones against deception, his missiles must also be tossed without deceit—intentional or otherwise.

If he is to attack the government bureaucracy as inept and tangled in red tape, then his own organization must be free of such faults.

If he wants consumer advertising to fairly represent a product without misleading a potential purchaser, then his own interpretations, explanations and promotions must be equally accurate and direct.

If the American people's thirst for knowledge and truth about products and government is to be quenched, if their hope for honesty and quality is to be fulfilled without further disillusionment, then the "truth," as presented by Mr. Nader and others like

The Holes in Ralph Nader's "Truth" *continued*

Rep. Forsythe says the advance billing for Ralph Nader's reports on members of Congress was not fulfilled by a quality end product.

PHOTO: WIDE WORLD

Mr. Nader, who testifies frequently before Congressional committees on consumer protection, would flunk a "truth in advertising" test on claims for his Congress Project, Rep. Forsythe charges.

him, must, in fact, be true. Mr. Nader's entire Congress Project, released just prior to the November general election, was billed as a comprehensive report providing the American people with valuable information about their Congressmen.

Mission unaccomplished

There was, indeed, hope that a valuable contribution to the public's knowledge about their representatives would be made.

However, the mission was less than fulfilled. The heavy advance billing was not supported by a quality end product. If Mr. Nader had been subject to any "truth in advertising" test, he would have failed, for his profiles were filled with misstatements and contradictions.

"The profiles are not evaluative in purpose," Mr. Nader's associates were quoted as saying. Yet, one after the other, profiles written about individual Congressmen contained subjective evaluations formed by the profile writers.

Usually, the writer was a college student and often he had a personal philosophy that showed a liberal bent. Unfortunately, this was often reflected in the evaluations.

While I had no real problems with my own profile, except for accuracy, I did not really believe it contained information that was not already generally known.

One of its earth-shattering evaluations was that someday I "may be recognized more for legislative activities than for the distinctive bow ties and slightly greying crew cut."

The appearance of evaluations in profiles that were not to be "evalua-

tive in purpose" smacks of Mr. Nader's philosophy in the consumer field.

As Ralph K. Winter Jr. pointed out in "The Consumer Advocate Versus the Consumer," published by the American Enterprise Institute:

"When Mr. Nader criticizes the food industry for taking steps to 'sharpen and meet superficially consumer tastes at the cost of other critical needs,' one may fairly ask whose judgment it is that a taste is 'superficial' and whose judgment it is that a 'need' is 'critical.' In the circumstances mentioned, it seems rather evident that the judgment in question is solely Mr. Nader's."

In the Congress profiles, too, the judgment is also Mr. Nader's—or that of his collegiate investigators.

Then there is the question of accuracy, which denotes responsibility.

Even with the editorial tone of many of the profiles, they could have been of some value to discerning American readers. However, of what value is inaccurate material pawned off as truth?

Facts that aren't

For example, my profile indicated that I voted in favor of a two-year extension of the draft, in 1971. The facts are that on April 1, 1971, I voted against the two-year extension. This was duly reported in the *Congressional Record* and *Congressional Quarterly*.

My staff brought this mistake to the attention of Mr. Nader's staff people more than two months before the final profile was published. Yet they failed to make the correction.

Meanwhile, profiles of members of the House Education and Labor Committee listed a number of "key" votes in the Committee. And many Nader explanations of the issues involved were wrong or misleading.

For example, one vote purportedly was either for or against using school aid funds for parochial or private nonprofit schools. In fact, that amendment was purely technical and did not pertain to any substantive issue. It was opposed by all but four members of the Committee, including many who favored using such funds for such schools—including myself.

Another amendment was described as prohibiting discrimination based on race in any program of the Child Development Act. In fact, it would have given unidentified organizations or groups the right to veto a sponsor of a child development program if they offered a "substantial objection" to the sponsor. That hardly can be interpreted as banning discrimination, which is prohibited anyway under the Civil Rights Act of 1964.

Murkiness in the knight

These individual examples raise a question about the validity of the entire Nader report. The admission by a Nader staffer that the Education and Labor Committee vote profile was "borrowed" from the Democratic Study Group, instead of being compiled by Nader people, certainly adds grounds for skepticism.

Which brings us back to the question of responsibility; of producing an acceptable product as claimed. Are the American people being taken in once again—this time by the white knight who is their self-proclaimed savior?

In 1969, Robert Fellmeth, author of two "Nader Reports" on consumerism, was asked during a Congressional hearing whether a reference to "Nader's Raiders"—emblazoned on the back of such reports—constituted a fair statement. He admitted:

"I don't think so. I think it is very inaccurate for several reasons. First of all, it is inaccurate because Mr. Nader's involvement is crucial, but it is not as extensive as that name would imply. At least we are not investigating for him alone in a direct sense. Secondly, we are not raiders."

Mr. Fellmeth was in charge of the Nader Congress Project.

A Congressional staff member's attempt to reach him by telephone suffered the same fate that many Nader reports suggested constituents face when they seek to contact their Congressmen.

The call was switched to three different individuals. Finally, a young man answered the phone. He said Mr. Fellmeth was "busy." Could he help?

It turned out that he couldn't. END

QUARTERLY OUTLOOK SURVEY

Great Expectations

Almost to a man, top executives are optimistic about the economy's prospects in the new year

Louis F. Danforth, senior vice president, economist and chief financial officer, Liberty National Bank and Trust Co., Oklahoma City, Okla., expects a 15 per cent rise in operating earnings this year and loan demand that will be from 5 to 10 per cent stronger.

John D. Harrison, president, Quality Weaving Co., Philadelphia, Pa., says his firm will make capital investments because "we have entered new markets and must expand if we are to service our increasing sales." As for the firm's profits, they will be about the same or "even less."

E.P. Finch, president, Brown & Williamson Tobacco Corp., Louisville, Ky., is pleased because the "election is behind us, accumulated savings are large and we appear to be reducing inflation." However, he looks for a 3 per cent drop in his firm's profits despite an expected 6 per cent sales increase.

Owen L. Hill, president, Clark Oil & Refining Corp., Milwaukee, Wisc., notes "improved consumer confidence" and says there are adequate supplies of labor and manufacturing capacity to support an expected increase in consumer demand. He looks for higher Clark Oil volume and profits.

American executives taking part in the 45th NATION'S BUSINESS Outlook Survey are overwhelmingly pleased about the prospects for the economy and for their own companies in the new year.

In response to the question, "Where do you think the nation's economy will go from here?", 323 company chairmen, presidents, vice presidents and economists say they look for continued improvement. Only one expects the economy to tail off while 27 look for it to hold steady.

In response to the question, "What are you looking for in 1973 in the way of profits for your business and how will they compare with profits in 1972?", 257 say they expect increases, 48 expect the profit picture to remain about the same, 35 expect decreases.

Three hundred fifty-six executives took part in the survey although all of them did not answer every question posed.

Other questions, and a summation of the answers:

- *"What are you looking for in 1973 in the way of sales or volume for your business and how will this compare with volume in 1972?"*

Three hundred seventeen look for increases, 28 for a steady pace and only 10 for decreases.

- *"Does your company plan to spend more or less on capital investments in 1973 than it did in 1972?"*

One hundred sixty-eight companies plan to spend more, 55 less and 119 about the same.

- *"Do you favor extension of the President's authority to impose wage and price controls after April 30, 1973?"*

Two hundred sixty-eight want some sort of extension of controls and only 79 call for controls to end in the spring.

In response to the question about the economy, these executives give these answers:

M. Van Allen, president, Ryder System, Inc., Miami, Fla.: "We talk to over 1,000 managers of diversified businesses each week in our sales blitzes. We know business is going up from hearing their plans."

John C. Emery Jr., president, Emery Air Freight, Wilton, Conn.: "Onward and upward. Phase II is forcing companies to plan better, exercise better cost controls, market for profit instead of volume."

John L. Loyer, president, Howmet Corp., Greenwich, Conn.: "I expect unspectacular but steady growth, supported by increased inventory and capital investment plus a continued high level of construction activity."

Mr. Allen says that his firm expects a volume increase of 15 to 20 per cent, excluding acquisitions, in 1973, and that "profits should go up in proportion." Mr. Emery is equally optimistic about profits. Mr. Loyer, however, sees "no significant improvement" in his company's profits, due to "the depressed level of prices of aluminum primary and fabricated profits."

John P. Fishwick, president, Norfolk and Western Railway Co., Roanoke, Va., notes growing consumer confidence. Increased spending and private investment should see the economy in good shape "well into

A.A. McCue, president, Minnesota-Wisconsin Truck Lines, St. Paul, Minn., believes the economy should go on up with the end of the war, and this should "turn much of our energies" towards improving the environment. He looks for high employment and farmer income.

Warren M. Pace, president, Richmond Corp., Richmond, Va., says President Nixon's worst move was imposing wage and price controls, and he wants to see no more of them after April 30. Richmond Corp. will move into new geographical areas and open new offices during 1973.

James J. McTernan Jr., vice president, Communications Satellite Corp., Washington, D.C., looks for an increase in revenue of 10 to 15 per cent and "an improvement in profits" over 1972's performance. Comsat will put at least $40 million into capital investments this year.

G.G. Rhodes, president, Lance, Inc., Charlotte, N.C., expects $85 million in business this year—up 13 per cent over last year. As for profits, he expects a 9.5 per cent after-tax net—the same rate as in 1972. Lance built a new plant last year and plans more expansion in 1973-74.

1973," he says. His own company's profit outlook, however, "depends on whether rate increases are granted by the ICC."

William E. Conway, president, Nashua Corp., Nashua, N.H., says confidently: "We are still in the upcycle of a major economic swing." Furthermore, he sees a 20 per cent improvement in Nashua earnings.

Leonard M. Savoie, controller, Clark Equipment Co., Buchanan, Mich., also notes improved consumer spending and says his firm's profits should increase by a larger percentage than sales—which he expects will jump to 12 per cent.

Tilden Cummings, president, Continental Illinois National Bank, Chicago, Ill., notes that "most indicators suggest the strong probability that the business expansion in 1973 will match that of 1972." There are "few signs of imbalances requiring a significant downward adjustment and there is substantial excess capacity of productive resources to allow further growth." His bank's profits should grow, too, he says.

Harry Heltzer, chairman and chief executive officer, 3M Co., St. Paul, Minn., looks for his company's sales "to grow at a rate as great as the company's historical growth rate—10 per cent or better" and for profits to keep pace. The national economy? "We expect the present business momentum to continue into 1973."

John R. Kingsbery, chairman, Kingstip, Inc., Austin, Texas, sees an improving economy because of "increasing world trade, the end of political tension and hopefully a good Administration and Congressional cooperation." As for his company's profits, he says: "We anticipate substantial increases due to improved facilities coming on-stream."

Curt R. Strand, president, Hilton International Co., New York City, says his hotel firm's "early forecasts for 1973 indicate continuation of the uptrend. Construction and capital investments by business are expected to be strong." As for profits, he says, "Our forecasted profit for 1973 of $10,200,000 is approximately 11 per cent above that expected for 1972."

Rene C. McPherson, president, Dana Corp., Toledo, Ohio, looks for the "brisk" economy to carry through mid-1973 and then moderate in 1974. Specifically he looks for output across the nation to advance 5 to 5.5 per cent and prices to advance 3.5 per cent this year. In 1972 his company earnings were $3.23 a share. In 1973 he looks for earnings of $3.80 to $4 per share.

J.H. Bernegger, vice president-finance, Thomas J. Lipton, Inc., Englewood Cliffs, N.J., says his firm looks for a continuing upward trend in the economy at least through most of 1973 because of consumer plans for increased spending on housing, autos and other items. He notes that savings are at an all-time high. Profits of his company are expected to increase between 10 and 15 per cent over 1972.

Dr. J. Mark Hiebert, chairman, Sterling Drug Inc., New York City, predicts that "the economy will continue to grow in 1973. Most growth factors are favorable: ending the Viet Nam war, stabilization of world

Great Expectations *continued*

William C. Rowland, president, Hawaiian Telephone Co., Honolulu, says his company's capital investment this year will be $49,975,000—6 per cent less than in 1972. Its net income should increase 15 per cent. A "strong overall growth trend" is what he sees for the nation's economy.

C.F. Schlueter, president, Employers Insurance of Wausau, Wausau, Wisc., says it would be "desirable to have sufficient controls to avoid excessive wage adjustments" during wage contract negotiations. He expects a 10 per cent increase in his firm's sales volume during 1973.

markets and money, growing domestic affluence and demand for goods, greater political and economic cooperation in the world."

He expects his profit picture to remain good.

W.A. Kerr, president, Kerr Glass Manufacturing Corp., Los Angeles, Calif., cautiously predicts the economy will move up "slowly." As for his profits, he writes, they "slumped considerably in 1972 due to general business and competitive situations. We look for improvement back to the 1971 level due to internal corrections."

David T. McLaughlin, president, The Toro Co., Bloomington, Minn., writes: "The economy should continue on an upward path due to the high level of consumer buying strength and the need for businesses to increase their inventories and capital spending to provide capacities to meet this demand." He predicts Toro's profits will be higher in 1973, though not as high as they were in 1971.

Pierre L. LaBarge Jr., chairman and chief executive officer, LaBarge, Inc., St. Louis, Mo., says: "We believe the economy will stage a significant upturn in 1973 which will probably continue through 1974 with major emphasis on domestic peace-related goods and services—pollution controls, improved health care delivery systems and sources of energy." His firm reported a profit loss for the first nine months last year but he foresees "significant improvement" in 1973.

Frank B. Maher, president and chief operations officer, John Hancock Mutual Life Insurance Co., Boston, Mass., believes the economy will "continue its upward thrust through much of 1973—employment is rising, consumers will have more spendable dollars and there is much evidence of planned substantial increases in capital spending."

Mr. Maher points out that the term "profits," as generally understood, does not apply to a mutual life insurance company.

Although most respondents call for extension of wage and price controls in one form or another, many take pains to point out they do so reluctantly.

C. William Verity Jr., chairman, Armco Steel Corp., Middletown, Ohio, explains: "We would like to see the economy free of controls as soon as possible, but April 30, 1973, might be too early in view of underlying pressures and upcoming labor negotiations. Probably have to continue with controls for most of 1973, and gradually decontrol later."

A "phase-out" basis for controls is

Edwin J. Spiegel Jr., president, Alton Box Board Co., Alton, Ill., sees a "modest" advance in the economy this year. He believes that business and consumer confidence remain high. If wage-price controls are extended he hopes for "substantial changes" in the way they are administered.

James R. Underkofler, president, Wisconsin Power & Light Co., Madison, Wisc., says "the general optimism of business" will ensure that the economy expands during 1973. However, there may be "a possible slowing in the rate of growth during the last half of the year."

called for by Robert B. Semple, chairman, BASF Wyandotte Corp., Wyandotte, Mich. He explains that he feels controls of some sort are needed "until we can do something to mitigate the advantage big unions have at present."

Roy Richards, president, Southwire Co., Carrollton, Ga., wants controls "if they are needed to hold down inflation." He comments that President Nixon has been effective in using them thus far.

Glen Orne, president, Maple Farms, Brattleboro, Vt., accepts the need for controls "if" they can be applied on a more businesslike basis and without so many conflicting rulings and paper work.

Henry W. Bloch, president, H&R Block, Inc., Kansas City, Mo., asks, however, that business and labor "voluntarily provide for a healthy climate of controls without mandatory government ones."

Of business leaders opposing controls, few are as decisive about it as Charles B. McCoy, chairman and president, E.I. du Pont de Nemours & Co., Wilmington, Del. Mr. McCoy says flatly that Du Pont opposes controls "in principle and practice." He adds that controls have now "reaped all the benefits and the costs will now become increasingly onerous." END

We Must Have Equal Rights in International Trade

BY FRED J. BORCH
Chairman of the Board,
General Electric Co.

A distinguished executive urges changes in America's policy toward its businesses, and some hard-nosed negotiating with other countries

PHOTO: FOTOFT K. ORAMOTO

Today, we in effect have no foreign economic policy worthy of the name—only foreign economic relations. Unless we evolve one—independent of political policy, and very quickly—tomorrow's international economic problems will make today's look like high school textbook exercises.

Our starting point must be a realistic recognition that other industrialized and advanced nations of the non-communist world have long since put trade and offshore investment at the very center of their policies, as we have not.

One striking effect of this is the way our trading partners are able to insulate their export prices from inflation. Between 1964 and last year's first quarter, our domestic price index rose 33 per cent while the average rise in prices of our exports was 26 per cent—a spread of only seven points. But in Japan, for example, the spread was 28 points. Her domestic inflation was 52 per cent but her export prices—even after upvaluation of the yen—rose only 24 per cent.

It is important to note that about one job in eight in our production industries depends on exports—and that in other countries, the employment dependency is substantially greater.

How much real output from each country goes into exports? What might the answer suggest to us about the importance of trade expansion (or contraction) to a national economy and employment levels?

In the production sector, from 1964—when our foreign trade was healthy—up to now, exports have accounted for about 15 per cent of increased U.S. economic activity and creation of production jobs.

But our trading partners have done better.

All, or almost all, such growth in Canada, Italy and Britain came from export expansion. In Japan, one third of production improvement was similarly based; in Germany, about 60 per cent; and in France, over 50 per cent.

Without a growing world trade, these countries' strong domestic growth could not have occurred—and, in some cases their economies might well have moved backward.

How did they do it? And what corrective policy can the U.S. follow to keep itself afloat and get the international order into a semblance of long-term parity and balance?

Let us look at some differences in

attitudes between these other countries and the U.S.

We might well begin with a "psycho-political" illustration.

Far from regarding large manufacturing and financial corporations as natural antagonists of government or the public, most of our trading partners view them as engines for pulling the national economy forward. They work from the fundamental premise that the bigger and more diversified the corporation, the more likely its continuing contribution to national growth objectives.

This view of the corporation as politically "neutral" but economically and socially "positive" is shared in these countries by most government administrators, legislators, union leaders and members of the general public. So long as corporations carry out their growth function—increasing employment, raising the general living standard and expanding the economy—they are encouraged to expand and assisted to secure added resources on relatively favorable terms.

A second point of difference which follows logically is the encouragement of a larger scale of operation and mergers in order to have corporations that are big enough to be internationally competitive or even dominant.

Most interesting, this urge to merge is beginning to cross international boundaries in highly sophisticated industries. Integration in computer technology is now taking place between the French government-owned CII, Philips of Holland, and Siemens of Germany. In time, these integrated businesses will probably be merged into a single corporation—and later on, it's quite possible that Britain's government-controlled ICL will join the same team.

Contrast this creation of large-scale world-wide competitive units with the present effort of our Justice Department to dismember one of the world's most effective international competitors, IBM, not to mention the Hart bill in Congress to break up the larger companies in seven major industries deeply involved in international competition.

The greatest boon imaginable for our major foreign competitors and their governments' trade policies would be breaking up successful U.S. companies which have demonstrated their ability to compete offshore while holding onto the American market.

Further contrast: All of us who participate in manufacturing businesses in Europe and Japan are well aware of long-term tax deferral through use of long-term reserves and provisions accounts, not to mention complete forgiveness of taxes in foreign subsidiaries.

These governments, with their high budgets and expensive social policies, are of course just as anxious for revenue as our own. But so long as the reserves and provisions are demonstrably reinvested in corporate, i.e., national growth, nobody would consider regarding them as loopholes. The necessary tax revenues are secured, not from corporate resources, but from levies on the consumer and, in lesser degree, high personal income taxes.

Our contrary tax policy—depending so heavily on taxing income the moment it's earned and so little on taxing consumption—brings with it contrary effects. It makes our would-be exporting companies significantly less competitive. It inhibits modernization of plant and facilities because our relatively low recovery rates on depreciation offer much less incentive to reinvestment.

These incentives will be still further reduced if, in the closure of so-called tax loopholes, our investment credit, the present depreciation schedules, and the DISC all disappear. The result will simply be a still less competitive U.S.

There is contrast in another area: Anyone who has recently watched the Japanese must be impressed by their determination to get such low-wage, mass production industries as consumer electronics assembly and textiles out of their homeland. And also by their drive, with powerful governmental encouragement, to expand new and promising markets by building plants in Latin America, Asia and even the Soviet Union. Germany is doing much the same thing.

They are doing it for returned earnings to the home country; for export markets for higher-value components and materials produced at home; and for efficiently produced finished goods as imports to the home market.

What a difference from Burke-Hartke and kindred legislative proposals!

This country's corporations, already limited since 1965 in their foreign direct investments, are under threat of much more severe curbs that can only lose us export markets (costing U.S. jobs in the process); fuel the fires of cost-push inflation; keep the national genius and labor bottled up; and phase down our own foreign earnings, which—right now—are the major bright spot in this nation's balance-of-payments situation.

And here's still more contrast: protection and encouragement of so-called "critical" industries through nontariff barriers.

One of the most prevalent is allocation of nonmilitary purchases by foreign government procurement agencies to their domestic manufacturers at prices that guarantee an acceptable return on investment. Among the favorites are products and equipment that go into government-owned public utilities, transportation systems and government-owned manufacturing plants. Under this system, outside competitors find themselves simply unable to bid.

The result is high prices for such equipment—well above competitive levels—in the home country. This enables the manufacturers to quote export prices in other markets such as the United States that are significantly lower (10 per cent to 50 per cent) than those paid by their own govern-

ments. If carried on by American manufacturers, this practice would drive the General Accounting Office into immediate corrective action, and the government's legal arm into the courts.

Another favorite barrier is the import quota—voluntary or otherwise. We have them, and so do they. But theirs—especially Japan's—are imposed to protect products of high technical skill and advancement which will contribute to accelerated national growth and ultimate export promise.

Let me refer to three other facets of policy that put trade at the center, and the "neutral" corporation into trade.

First are the large numbers of export aids and incentives offered by central governments.

Second, the inexorable buildup of domestic industries that have fallen under government ownership in Western Europe when private enterprise couldn't cut it. The government provides these with subsidies and with capital; it dusts them off when they fall flat on their faces. It also directs their planning, where normal industries must rough it as best they can.

Third, we must include the rapid spread of preferential agreements which effectively block out nonparticipating countries, like the U.S. Let's face it, the European Economic Community is intrinsically preferential. And what about the system of preferential trade agreements which the EEC is putting together with nonmember European and Mediterranean nations?

Thus the other industrial countries have evolved a set of rules quite divergent from ours, under which the international economic competition of the Seventies is now operating. If we are to stay in the game—indeed, if the game itself is to continue effectively—the divergences must be modified and a harmonization of rules speedily negotiated.

We cannot rely on drift. We need a policy.

That policy cannot be closing down our borders. We cannot live within ourselves. Should we try, our economy and our employment will come up short.

For all the noise we hear about imports, the bulk of what we bring in today—and henceforth—cannot be naturally or economically supplied inside our borders. Furthermore, we face an energy crisis—which will substantially increase our importing needs during this decade.

What is required is recognition that until the U.S. gets a foreign economic policy that is much more trade-centered, most things will continue to be going in the wrong direction—and more so if some of the currently espoused ideas prevail.

Let me make it perfectly clear that the "current ideas" I am talking about are the kind embodied in the Burke-Hartke bill, and similar pullbacks of our involvement in world trade. I am in sympathy with the goals expressed by many in Congress, the Administration and industry. I applaud their efforts in bringing home that the United States' economic position has changed.

So where do we go from here?

1. The U.S. must face up to the fact that the world's increasing economic disequilibrium is forcing this country—like it or not—to place foreign trade and economic policy in a very prominent place in our political and economic life—comparable to Europe and Japan.

2. Our government must recognize—as other governments have, long ago—that business and its employees are practically the sole source of the national income and tax revenue needed to provide employment and a better standard of living. This recognition will bring about a change in attitude toward business and industry, from philosophically and politically negative—at least to "neutral"; from economically inhibiting—to positive in terms of those things that promote the corporation's ability to grow, increase employment, raise the general living standard and thereby promote the general welfare.

3. Congress and the Administration must screen every domestic legislative proposal in terms of its impact on U.S. international competitiveness.

This includes social measures—safety, pollution, consumer protection, Social Security taxes, minimum wage, welfare, unemployment compensation to strikers, etc.—all of which must eventually be reflected in the cost of products. Other countries through their tax structures—especially border taxes—forgive a major part of such costs on exports but recover them by forcing imports to bear their share of domestic social costs. Not so, the U.S.

If our corporations are denied adequate resources, the net effect is to shift the whole thrust of our economy from the high end to the low end of the scale—from high-technology to low-technology, from capital-intensive to labor-intensive, where our pay structures make effective competition most difficult. And these high-technology areas are the very ones in which American ingenuity and skilled labor have enabled us to prosper and lead.

4. The U.S. must recognize that her private industries, however large, are seriously disadvantaged in competing with government-sponsored industries abroad. The U.S. government has to meet this problem in head to head negotiations with other nations.

5. The U.S. government must accept as a basic premise that the philosophy of other countries will be to shield exports as much as possible from their domestic adjustment problems, and to impose on imports as much of the cost of their socio-economic policies as they can. The easiest, most effective and most pervasive method of "exporting" these problems is via the high-rate border-tax route. That is, make goods produced elsewhere pay a tax burden of social costs that is equal to (or a trifle higher than) the burden they would carry if they had been produced domestically.

Countries which rely heavily on unrebatable personal and corporate income taxes and other direct taxes—the U.S. is the prime example—find their goods carrying a full load of social costs on domestic and export sales alike. When shipped into a border-taxing country, our goods pick up another burden of heavy indirect taxation at full rate—in the

when I planned to retire before fifty

this is the business that made it possible

a true story by John B. Haikey

Starting with borrowed money, in just eight years I gained financial security, sold out at a profit and retired.

"Not until I was forty did I make up my mind that I was going to retire before ten years had passed. I knew I couldn't do it on a salary, no matter how good. I knew I couldn't do it working for others. It was perfectly obvious to me that I had to start a business of my own. But that posed a problem. What kind of business? Most of my money was tied up. Temporarily I was broke. But, when I found the business I wanted I was able to start it on a little over a thousand dollars of borrowed money.

"To pyramid this investment into retirement in less than ten years seems like magic, but in my opinion any man in good health who has the same ambition and drive that motivated me, could achieve such a goal. Let me give you a little history.

"I finished high school at the age of 18 and got a job as a shipping clerk. My next job was butchering at a plant that processed boneless beef. Couldn't see much future there. Next, I got a job as a Greyhound Bus Driver. The money was good. The work was pleasant, but I couldn't see it as leading to retirement. Finally I took the plunge and went into business for myself.

"I managed to raise enough money with my savings to invest in a combination motel, restaurant, grocery, and service station. It didn't take long to get my eyes opened. In order to keep that business going my wife and I worked from dawn to dusk, 20 hours a day, seven days a week. Putting in all those hours didn't match my idea of independence and it gave me no time for my favorite sport—golf! Finally we both agreed that I should look for something else.

"I found it. Not right away. I investigated a lot of businesses offered as franchises. I felt that I wanted the guidance of an experienced company—wanted to have the benefit of the plans that had brought success to others, plus the benefit of running my own business under an established name that had national recognition.

"Most of the franchises offered were too costly for me. Temporarily all my capital was frozen in the motel. But I found that the Duraclean franchise offered me exactly what I had been looking for.

"I could start for a small amount—a little over a thousand dollars—and that amount I could borrow. I could work it as a one-man business while getting a start. No salaries to pay. I could operate from my home. No office or shop rent or other overhead. For transportation I could use the trunk of my family car. (I bought the truck later, out of profits.) But, best of all, there was no ceiling on my earnings. I could build a business as big as my ambition and energy dictated. I could put on as many men as I needed to cover any volume. I could make a profit on every man working for me. And, I could build this little by little, or as fast as I wished.

"So, I started. I took the wonderful training furnished by the company. When I was ready I followed the simple plan outlined in the training. During the first period I did all the service work myself. By doing it myself, I could make much more per hour than I had ever made on a salary. Later, I would hire men, train them, pay them well, and still make an hourly profit on their time that made my idea of retirement possible—I had joined the country club and now I could play golf whenever I wished.

"What is this wonderful business? It's Duraclean. And, what is Duraclean? It's an improved, space-age process for cleaning upholstered furniture, rugs, and tacked down carpets. It not only cleans but it enlivens and sparkles up the colors. It does not wear down the fiber or drive part of the dirt into the base of the rug as machine scrubbing of carpeting does. Instead it *lifts out* the dirt by means of an absorbent dry foam.

"Furniture dealers and department stores refer their customers to the Duraclean Specialist. Insurance men say Duraclean can save them money on fire claims. Hotels, motels, specialty shops and big stores make annual contracts for keeping their carpets and furniture fresh and clean. One Duraclean Specialist recently signed a contract for over $40,000 a year for just one hotel.

"Well, that's the business I was able to start for a little over a thousand dollars. That's the business I built up over a period of eight years. And, that's the business I sold out at a substantial profit before I was fifty."

Would you like to taste the freedom and independence enjoyed by Mr. Haikey? You can. Let us send you the facts. Mail the coupon, and you'll receive all the details, absolutely without obligation. No salesman will ever call on you. When you receive our illustrated booklet, you'll learn how we show you STEP BY STEP how to get customers; and how to have your customers get you more customers from their recommendations.

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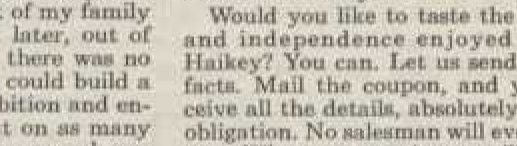

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We Must Have Equal Rights in International Trade *continued*

form of an across-the-board value-added tax in Europe or specific high commodity taxes in Japan—just as if their manufacture in the importing country had imposed costs on the importing society.

Turning the coin over, goods manufactured in these countries are relieved at their countries' borders of the social costs incurred in their production by straight-out rebate of indirect taxes. When these goods are imported here, since we don't go in for border taxation, they bear no imposition for our social costs, either.

It's time that the inequities in border adjustment be stopped.

The desirable way is to get agreement that discontinues the border adjustment process. If our trading partners will agree to this, we'll all bear our own social costs without passing that burden onto the shoulders of others.

But realistically, I cannot be optimistic that our trading partners will voluntarily negotiate away a major element of their national economic policy. And time is of the essence.

The only other way to get at equity is for the U.S. to play the same game with countries that play by border tax rules.

We also should forgive social costs on export goods, and we should impose social costs on imported goods. Realistically, the U.S. will have to make this move unilaterally. And we can call the system by its proper name—not an import surtax or a border tax, but a "social-sharing" or "social equalization" tax.

Such a tax, obviously, should not be imposed across the board, but only against those imports from and exports to those countries that place our products at disadvantage. The aim must always be a set of actions designed to ensure that all countries participate fairly in the general expansion of production and trade.

Border adjustment is one of those important nontariff barriers in need of immediate correction; but it is by no means the long-term solution to our trade problems. A true solution is one that solves the basic disequilibria in world-wide trade—particularly the U.S. trade deficit.

The other industrial nations await our initiative. As well as we, they are aware that better solutions are needed. They are still prepared to follow a U.S. lead that does not penalize their own economic accomplishments to date and promises simultaneous progress.

Our Congress must recognize this and pass legislation enabling our government to negotiate with those abroad. Then, as policy and as negotiating strategy for the U.S., I propose recognition that solutions to equity and balance in world trade can come only through expansion—perhaps a massive expansion.

From that expansion, the U.S. trade and investment balance must move in a short time to equilibrium and then, depending on the extent of our political commitments in behalf of other nations, go into surplus.

Unlike past trade expansions, the arrangements negotiated must assure that the U.S. share of the growth of international trade will rise dramatically. Now, in such a theoretical framework, what is basic for U.S. negotiators?

In the first place, we'll need an emphatic understanding in the Executive branch and Congress that our foreign economic policy will not be subordinated to international political policy or undercut by vagaries in new domestic legislation.

In the second place, it is vital that we secure agreement from our major trading partners on the targets—in volume and in time—for the new shape of world trade, and how much of it will be included in America's improving trade balance and/or returns on offshore investment. Without such an understanding I don't see how we can come to a solution.

In the third place, there is the nitty-gritty of tangible agreements. What products should our trading partners take in trade (or, for dividends and royalties remissions) that we can efficiently provide? And, what on our side can we offer as the quid pro quo so necessary to securing any mutually beneficial agreement?

For our negotiators, the challenge is to enunciate clearly and hold to an American policy committed to goals in which the U.S. will no longer lag. It is an extension of that challenge that they secure a removal of trade barriers—such as nationalistic procurement—and a forswearing of nationalistic vanities that pyramid inefficient, parochial industrial capacities under the delusion of a domestic trademark.

For our negotiators, therefore, there is still opportunity—but the opportunity will be hard-won.

For our trading partners, there is also opportunity—the kind that comes from stability, equilibrium and equity, as well as a sharing in growth and progress instead of constriction and economic warfare.

The opportunity is there—although I am far from sanguine about its possibilities of accomplishment.

The first order of America's business is to begin the formulation of an innovative, goal-directed trade policy of undisputed first priority and actionable alternatives. It must be a policy that conforms not only to the precepts of expanding trade, but also those of intelligent management. END

LESSONS OF LEADERSHIP PART XCII

Laurence William Lane Jr. of Sunset

Rising in the West

Want to know what kind of dessert to serve after you've whipped up an oriental meal?

Or how to build a vacation cabin? Grow camelias? See a ghost town?

For a million magazine buyers west of the Rockies and thousands elsewhere (there are 274 subscribers in Maine) the bible of how to make life better with such information is *Sunset*, a whoppingly thick monthly that is the flagship of Lane Magazine & Book Co.

In an era when many a mass circulation periodical has come on hard times, the outlook for *Sunset* has been almost perpetually rosy. Year after year, its revenues and number of readers have risen.

Its success traces back to philosophy espoused by the late Laurence William Lane, who in 1928 took over what was then a struggling little literary magazine and transformed it into one that chronicles the life styles of the people of the West.

Mr. Lane felt these Westerners were doers who were eager to get information on how to do more things. And in *Sunset*, and a companion book division, he took a "how to do it" approach.

That approach is being followed today by his sons, Laurence William (Bill) Lane Jr. and Melvin—respectively the company's president and executive vice president for nearly 15 years.

Sold largely by direct mail offerings of subscriptions to preferred charge account customers at more than 100 top Western department stores, as well as at newsstands, *Sunset*—in four editions every month—tells Westerners how to make their lives more fulfilling and exciting.

As previously noted, the magazine's sales are primarily in the West, though it has some subscribers in every state (there are a lot of people who dream of moving to the West or who are nostalgic about formerly living there). But there is less regional predominance in sales of the company's books and of several special interest magazines it has launched. (The magazines are on such subjects as "Christmas ideas"; the books include heavily illustrated volumes on subjects ranging from the Sea of Cortez to Western ghost towns.)

The company is located about 30 miles from San Francisco in Menlo Park, Calif., on what was once a portion of the Rancho de las Pulgas, an 1815 land grant to Don Jose Arguello, governor of Spanish California. Its twin adobe, hacienda style buildings are adorned by gardens that are a favorite of tourists.

Bill Lane, 52, a World War II Navy officer and former chairman of President Nixon's National Parks Centennial Commission, has worked in every department of the company he heads—he started out selling *Sunset* door to door, as a child.

In the *Sunset* operation, a man who writes or edits an article about scuba diving is apt to be a scuba diver; if his subject is skiing, he's apt to be a skier; or if it's back-packing, he's apt to be a back-packer.

Mr. Lane, who in his position perforce must take an overall view, flies a plane, rides horses, packs into the mountains, skis . . . and is interested in a raft of other things that *Sunset* readers do.

In this interview in Menlo Park with a NATION'S BUSINESS editor, he tells about the West's *Sunset*.

How did the Lane family come West?

Well, my father had started with

Meredith Publishing in Des Moines in 1913 and in the course of helping to establish *Better Homes and Gardens*, which was first published about 1921, he traveled all around the country. Later, as advertising director, he came West to set up the regional sales advertising offices, as he did elsewhere, and became acquainted with *Sunset*, which was going downhill at the time.

He wanted to go into business for himself, so he decided to buy *Sunset*. We celebrated the 44th anniversary of his landing in San Francisco on Columbus Day last year.

The first issue of *Sunset* under the Lane Publishing Co. was February of 1929, although the magazine itself will be 75 years old this year.

Sunset was originally founded by the Southern Pacific and was primarily designed to promote railroad travel, wasn't it?

That's right. Railroad travel, and land development—under the Railroad Act, the SP had been granted these huge tracts which it wanted to develop agriculturally and industrially. It also wanted to promote tourism; it owned several fine hotels.

Sunset was named after a crack SP train, the "Sunset Limited." Eventually, the SP sold the magazine to some of the staff.

When the magazine was sold, did it follow a different route?

Yes, it became more of a literary magazine. The editor was Charley Field. He graduated in the first class at Stanford University and was a good friend of Herbert Hoover. Jack London, Frank Norris and many of the other great literary and art figures of the West were also his friends, and wrote for *Sunset*.

When my father bought *Sunset* it was highly respected, but it wasn't very successful in terms of circulation and advertising. The financial reports were in red ink.

And your father turned it around again, making it a magazine about the West. Was this an idea he had been nursing a long time?

He certainly believed a magazine did not have to be national to be successful. And he was familiar with specialized magazines. Meredith, of course, had *Successful Farming*, a very fine publication related to the business of farming in the so-called heartland states.

When *Better Homes and Gardens* came along, it dealt with people's home activities, but on a national basis. And living in the West is different from any other part of the country, as many Western readers pointed out in letters to *Better Homes* editors.

My father felt he could succeed with a publication about this different kind of living.

You know, we think we coined the phrase, "How to do it." At any rate, we made this our editorial concept from our very first issue of *Sunset*. Nothing is in it that can't be completed by readers. Oh, maybe you can't eat papayas because they give you indigestion, or take a trip around the world because you can't afford it. But we know from our own testing and research that a large number of our readers can do everything our editors write about in any issue.

You've kept that formula of a magazine about Western living—emphasizing food, gardens, travel, handicrafts and so forth.

Kept it and kept up with the changes in each of these areas, broadening our base. For instance, travel today includes recreation, food is far more than recipes, and so on. In terms of management responsibilities, my brother Mel and I have challenged ourselves to respect the good things we inherited—hopefully, to believe in them, but even if we didn't believe in them, to have the humility to admit they were good. But there have been dramatic changes in styles, equipment and opportunities and we fight to keep on the cutting edge of new ideas.

There's always a tendency, particularly in a family-held company, to have a kind of Young Turk drive to change things around for the sake of change, to do things differently than Dad did. Or to ride on past glories. Both are death traps.

You mentioned your own testing. In what areas is it done?

In all our basic editorial areas. We have kitchens, gardens and craft shops in which we cook, grow or build the things we're writing about to make sure they turn out right. We've pushed testing much harder in recent years. Accuracy is our battle cry.

How long have you been doing this?

Right from the start. Oh, we didn't have our own kitchens at the office to start with.

Where did you test your recipes, then. At home?

Indeed, yes. My mother is a graduate home economist and used to teach home economics. She was always testing recipes.

Our home economics editors and wives of other people in the company also were testing and inviting friends to test.

Today, after our home economists test a recipe we'll give it to someone else—perhaps another editor or a friend—and say, "How about trying this and seeing if it comes out."

But in those early days, we tested ourselves—travel, too. I can remember going to a different place almost every weekend—up to the wine country, or to visit a mission, or up to the old gold fields.

In the beginning we used to have some articles that were not staff-written, but were purchased from people who were experts in the fields they were discussing.

But in the middle Thirties, when Bill Nichols, who later was editor of *This Week*, became our editor, we went to a totally staff-written format. This was because we wanted total staff involvement. We think this helps our believability with our readers. And staff writing means we take full responsibility for accuracy.

It's been said that you program your magazine and books to a reader who has time, money and energy.

Not necessarily. Our readers have energy, I'll say that—*Sunset* is not an armchair magazine. And many of our readers have ample time—about 13 per cent of them are men who have retired. But a good many readers not only enjoy what they are doing, but are doing it to save money for other things. Doing their own carpentering or something like that, so

Publisher Bill Lane believes his readers are people who like to do things. What the Lane family likes most to do is ride. With Mr. Lane (from left) are son Bob, 12; Mrs. Lane; and daughters Brenda, 10, and Sharon, 16.

they can use the money saved to buy a new carpet or take a trip.

How big is Lane?

In dollars? Close to $25 million a year. The magazine circulation is well over a million copies and we have about three million readers. We have over 100 book titles. Within the last two years we've started three special interest magazines which are published annually. All have exceeded projections. We've just O.K.'ed a new title. This is a major growth area.

You don't accept liquor or tobacco advertising. Does this reflect an attitude in your personal life?

No. I'll be happy to serve you a cocktail for lunch. It's just that we don't feel hard liquor or beer ads complement our publishing objectives. There are other categories, too, including internal medicine, generally, and women's personal products. But we do accept and carry a great deal of table wine advertising.

We simply like to have the advertising we carry complement what we are doing editorially. That's why we'd rather have General Mills on the back cover than a cigaret ad or liquor or beer. I suppose if I told our advertising department right now that we would accept this advertising, we could pick up about 200 pages a year.

We also don't want nudity, just to get attention. I don't mean bikinis or cleavage. Our readers wear bikinis. But pure use of nudity is not acceptable, and we've had to turn down several four-color ads recently.

How did you get into book publishing?

Oh, the books are very much a partner of *Sunset* magazine. They started in the Thirties, mostly as pamphlets given away as circulation premiums. But a lot of readers wrote in wanting more information on various subjects.

Of course, in some of the books we've gotten away from direct, active reader involvement. We did Peter McIntyre's art book on the West and we've done books on museums of the West, ghost towns, the national parks—but even these encourage traveling. My brother is doing a great job as publisher of the book division.

But reader involvement is still very important to your company?

Very much so. It is the key that makes the formula work.

Is there any competition between the magazine and books?

No. Maybe I'd better not say any more.

My father had the feeling it would be nice if each son had a specifically defined area of responsibility. In 1959, when my brother and I were put in full management charge, we created a holding company, Lane Publishing. It owns a cattle ranch in Northern California and some real estate here. The book company was established and run by my brother and I had the magazine company.

We lived with that for a while, but we found that it broke down the two-way street of communications and it built up competition between our staffs. Different growth percentages were being compared.

This was something we didn't like. We did not think this competitiveness was in the best interest of the company, so we put it all back together. We're a people business. We have to have an all-out team effort.

What type of cattle do you have on the ranch?

Red Angus. This ranch is an activity that my mother spends quite a bit of time on. She was managing editor at one time and is on our board of directors. She's a great lady.

The brotherly noncompetitiveness you mentioned apparently is reflected through all ranks of employees.

Right. We don't use the term chief executive officer in our company. We have no names on the doors, no reserved parking lots. Employees sometimes speak of the "*Sunset* family" and we like it that way. We have practically no turnover.

You took a journalism degree and your brother an economics degree. Was this a division of labor by preference or was there a flip of a coin?

I think it was a very normal type of evolution. Maybe we were intuitive in sensing the other's interests. Mel and I have a very good relationship. We have similar interests in many ways, but also many very different interests.

Did you ever think of branching Lane out into other fields?

Of course. But I think we have tried to stay with the thing we do best. We are going into films, but here again we are using our expertise about things we know—such as in our new magazines. The death of many a magazine has been to try to be all

Lessons of Leadership: Laurence William Lane Jr. *continued*

things to all people. We are adamant about two things. One is not diverting money or talent from the two activities that are the backbone of our business—the magazine and the books. Very basic to our management today is to set tough guidelines for expanding only by synergistic opportunities—staying in areas where we are authorities.

The other thing we are adamant about is not going into debt. Our bank is after us all the time to make some loans. We have no debt in our company and haven't since my father turned it into the black in 1938.

In the age of the conglomerate, I suppose you've been approached?

Yes, we've had many opportunities to sell. I'll never forget a conversation with Mike Cowles [president of Cowles Communications, publisher of *Look* magazine], who made several offers. "Do you realize what *Look* can do for *Sunset*?" he once asked me. I certainly had no premonition at the time that maybe *Sunset* could have helped *Look*.

You mentioned you were going into films. What kind?

Commercial, for companies. We did one for Chevrolet featuring national parks. In producing it, they asked us to keep in mind that they would like to make it available for TV, and it's had close to 300 prime-time showings on commercial television stations. We are going to do other films.

How do you see yourself as an executive?

If you mean, what kind of person am I, I suppose I think I'm a pretty well organized person. I seem to keep a lot of balls in the air. I'm a prop man. I would rather not just rely on words, but have examples—the back-up material—to prove a point. I've tried to work hard, and to compliment as well as to criticize.

What's given you the most personal satisfaction in your business career?

Earning respect of my fellow employees. And also being able to maintain a high level of goodwill and confidence from representatives of major businesses that *Sunset* is dependent upon for its existence and its future growth. Second generation management has to work hard to do this. The silver spoon can tarnish damned fast.

I was very aware that loyalty would soon fade during a management transition, if there was significant lack of confidence in the new team—and sons of the boss are always suspect. Advertisers are very fickle with their tangible loyalty as magazine managements change. So are readers. The fact that we did not lose this confidence was of great relief and satisfaction.

There has been criticism that the very influential Sunset has focused on only the good things of the West, and not taken cognizance of social problems.

I disagree with that statement 1,000 per cent.

We probably are more constructive in relating to problems than many magazines that simply dwell on the problems. We were pioneers in conservation. We were using the word "environmental" 40 years ago. We were the first to ban DDT as an advertising category. That was in 1969.

Sunset devotes itself to family unity and one of the problems in America today is the breakdown of the family's unity.

Obviously you have strong feelings about family, so I don't suppose you're a corporate bigamist—wedded more to company than family.

No indeed. But all of our family is interested in the very things our magazines and books talk about. And *Sunset* really is only trying to reach families who have these interests. We're not trying to say to a housewife, "Read *Sunset* and become happy," or, "Read *Sunset* and save your marriage." But doing some of the projects in *Sunset's* editorial pages might just do both.

Do you have a blueprint for the future?

Well, we're constantly thinking of the future, but we don't have any fixed pattern that in five years we're going to be doing this or in 10 years that. We're obsessed with doing the very best we can. I don't care whether we're first in numbers, but we want to be first in quality and to keep the bottom line on our profit and loss statements in black ink. END

REPRINTS *of "Lessons of Leadership: Part XCII—Laurence William Lane Jr. of Sunset" may be obtained from Nation's Business, 1615 H St. N.W., Washington, D.C. 20006. Price: One to 49 copies, 35 cents each; 50 to 99, 30 cents each; 100 to 999, 17 cents each; 1,000 or more, 14 cents each. Please enclose remittance with order.*

Someday, That "Rubbery" Steak May Really Be Rubber

In Fairfax County, Va., a Washington, D.C., suburb, Donald E. Pullman owns an acre of undeveloped land on which uninvited dumpers have discarded 9,000 auto tires.

County landfill authorities will not take them off his hands. Officials in Fairfax—the second most affluent county in the nation—have more or less told Mr. Pullman that he may, figuratively, have "to eat them."

Actually, says the Firestone Tire & Rubber Co., he may be able to do just that someday.

Firestone and the other tire manufacturers have been seeking solutions to the tire disposal problem. Recently, Firestone announced three promising uses for unwanted casings: to condition poor quality soil, to purify water and to be converted into high-protein food.

Dr. Glen Alliger, the firm's director of research, says Firestone and Rutgers University scientists, working together, have been able to grow a yeast-based food on rubber from scrap tires.

It is nutritious and suitable for human and animal consumption, he says, "although rather tasteless."

But out-of-laboratory production is far away, Firestone officials warn. Considerable quantities of water and sterile air are needed for proper fermentation, they say, and the yield is relatively small.

More immediate use is seen for a powder made from discarded tires which, mixed with unproductive soils such as clay and sand, improves their ability to retain water. To prove that poor quality soil can be made arable this way, the scientists have successfully grown kidney beans in sand mixed with the powder.

In still other experiments, it was found that when water was mixed with the same powder, certain impurities were removed through an ion exchange process. END

Home Is Less and Less Humble for Millions

New homes. Air-conditioning. Second or third TV sets. Second or third cars.

Many millions of Americans improved their living conditions during the Sixties, according to data published by the U.S. Census Bureau from the 1970 Census on Housing.

At the time of the 1970 Census, one fourth of the nation's housing was less than 10 years old, and 40 per cent was more than 30 years old. In the suburbs, 33 per cent was less than a decade old, compared with 19 per cent in central cities and 24 per cent outside metropolitan areas.

The 1970 Census counted 67.7 million housing units, with 63.4 million occupied. Of the total, 66 per cent were single family, detached dwellings—a decline from 69 per cent in 1960. The proportion in apartments or attached houses increased slightly, from 30 to 31 per cent; and trailers increased from about 1 per cent in 1960 to 3 per cent in 1970.

Almost 40 million U.S. families owned their homes in 1970—63 per cent of all housing, an increase of 1 per cent over 1960. Owners of single family houses valued them at an average figure of $17,100, compared with $11,900 in 1960. Houses in central cities averaged $14,500; those in suburbs, $21,500; and those outside metropolitan areas, $10,700.

It was almost a dead heat between air-conditioning and clothes dryers during the Sixties, with each being installed in about a fourth of the nation's homes. The proportion of households with cars stayed around 80 per cent from 1960 to 1970, but the share with two or more cars went up from 20 per cent in 1960 to 35 per cent in 1970. In the suburbs, 92 per cent of the families had at least one car in 1970, compared with 72 per cent in the central cities.

Nearly nine out of 10 families had a TV set in 1960, so the increase to 96 per cent in 1970 was modest, but one family in six got a second or third set during the Sixties.

Almost seven million families quit shoveling coal or chopping wood during the Sixties, but about 2.5 million households in 1970 still used coal or wood to heat their homes. About 35 million U.S. homes were heated by gas in 1970; 16 million, by oil; and nearly five million by electricity.

About six million families got indoor toilets during the Sixties and almost as many installed bathtubs or showers, leaving about two million homes, or 3 per cent, without indoor plumbing. About 11 per cent of Negro-occupied homes lacked plumbing, most of them in the rural South.

Taking into account the improvements made during the Sixties, here is the 1970 score on conveniences used by U.S. families, for every 100 homes:

Running water, 98; toilet and bath, 97; television, 96; labor-free heat, 96; telephone, 88; car, 81; washing machine, 71; clothes dryer, 42; air-conditioning, 36; food freezer, 28; dishwasher, 19.

As might be expected, air-conditioning is more popular in the South and food freezers are more popular in farm homes. About half the homes in the South are air-conditioned, and 70 per cent of the farm homes have food freezers.

Ownership of all appliances except one increased during the decade: The percentage of homes with washing machines declined from 73 to 71 per cent. This is not taken as an indication that cleanliness has lost its position next to godliness; merely that many people prefer to use coin-operated washers. —JOHN C. BAKER

Sand Can Be Golden, in More Ways Than One

The likelihood of finding significant deposits of rare or highly valuable minerals on our Northeast coast's beaches, or just off the coast, is slender, say government geologists.

But there are significant deposits of a substance which though far from rare can eventually prove quite valuable, they say. The substance: sand. Over 400 billion tons of it.

Offshore mining of minerals isn't prevalent world-wide. Only tin off Indonesia and Malaysia and diamonds off southwest Africa yield as much as $1 million in value each year, says Dr. Frank Manheim, a U.S. Geological Survey geochemist at the Survey's Woods Hole, Mass., office.

Sand's potential, he notes, is far bigger.

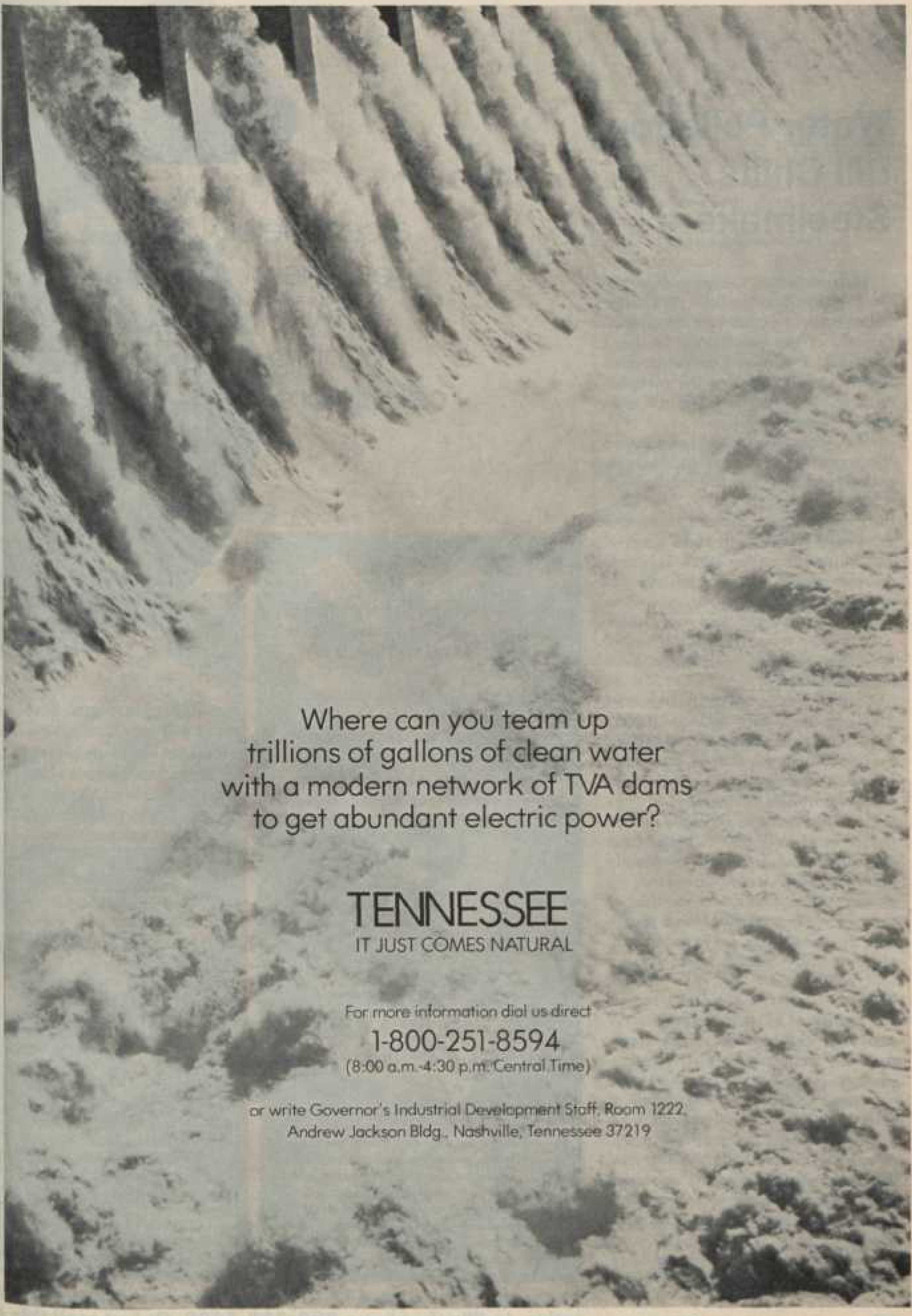
About one million tons of sand and gravel, valued at $1.1 billion, are used each year in the U.S. Slightly less than a million tons of crushed stone and other aggregates compete with sand and gravel for use in building and in paving of roads.

While most geological interest in the continental shelf off our Northeast is focused on oil and gas exploration, Dr. Manheim says 100,000 square miles of sand is out there. It's going to become more valuable as the Boston-to-Washington megalopolis continues to grow, he predicts.

The spread of urban areas, he says, continues to encroach on or exhaust sand and gravel quarries. Rising land values and transportation expense, plus increasing restrictions based on environmental and esthetic concerns, are adding to quarries' costs.

In time, Dr. Manheim believes, sand and gravel from deposits on the continental shelf will be in demand.

One case in point: Experts estimate that local deposits of sand and gravel in the Washington, D.C., area will be exhausted within 10 years and that added transportation expense will send prices skyrocketing. END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Water Pollution Bill Chills Steelmakers

A month before Congress overrode the President's veto of the 1972 water pollution control bill, the Steel Sub-Council of the prestigious National Industrial Pollution Control Council issued a report putting the probable costs to the steel industry of such legislation at $1 billion.

Also, the Sub-Council estimated the industry's costs in fighting air pollution, under federal guidelines, at $2.5 billion.

"Even in the best of times, this total expenditure would be a staggering burden for the steel industry, representing as it does . . . almost as much as the industry has earned in the past five years," the report said.

It further noted that operation of the new facilities would cost $400 million annually.

As it is, the American Iron and Steel Institute has estimated steel firms last year budgeted $320 million—about 10 per cent of their total 1972 capital expenditure budgeting—for air and water quality control.

Goal of the bill, officially called the Water Pollution Control Act Amendment of 1972 and commonly known as the Muskie bill before its October enactment, is reduction of water pollution to the "best practical" levels by June, 1977; attainment all over the U.S. of water quality that will support fish, wildlife and recreation activities by 1983; and elimination of all pollutants by 1985.

In the Sub-Council report, prepared for the Secretary of Commerce, eight chief executives of major steel companies warned: "The financial status of the steel industry is such that companies cannot afford expenditures for air and water quality control programs that require excessive investment in equipment required to meet unnecessarily stringent standards.

"In addition, companies can ill afford the expenditures involved in ad-

ditional engineering, equipment and construction costs of crash programs required to comply with rapidly changing governmental regulations."

In fighting any given type of pollution, the steelmakers said, "the incremental benefits to society of going from, for example, 95 per cent removal to 99-plus per cent removal should be balanced against the additional cost to society."

To assist the industry in buying anti-pollution equipment, the Sub-Council "encouraged" Congress to create a $3 billion revolving fund for long-term, low-interest loans.

Further, the Sub-Council recommended construction and demonstration grants for combined municipal-industrial or regional industrial waste treatment plants.

And, it said that "any new environmental control legislation should include the option to exempt, for federal income tax purposes, expenditures for nonproductive pollution control facilities."

Although the 200-odd companies in the domestic steel industry have already committed $800 million to air quality control equipment and $700 million to water control equipment, steel men feel the general public is oblivious of the mammoth pollution control problems the industry faces.

The Sub-Council members made a final recommendation: "Regulations should be 'set' for some definite period into the future so companies know what to design to, and so that all the facilities installed in recent years are not found to be in violation of ever-changing and more stringent regulations."

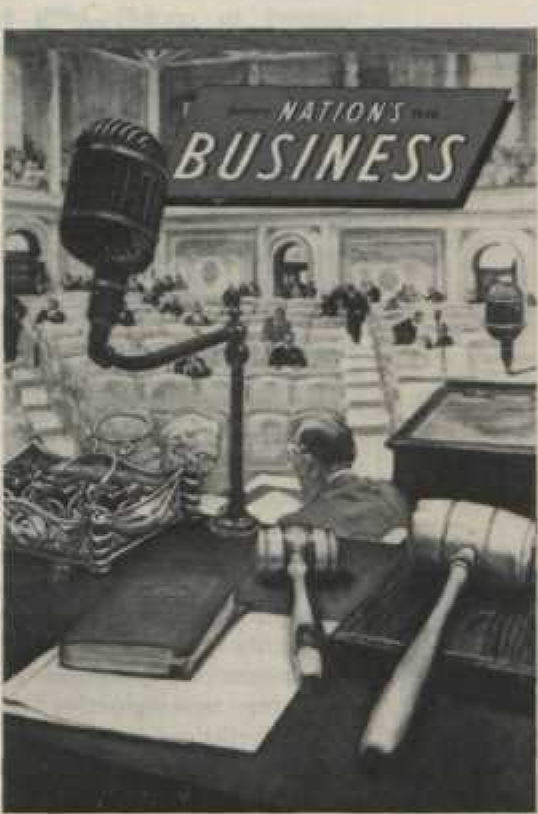
The President's Council on Environmental Quality has estimated that annual price increases of "less than 1 per cent" would be sufficient to fund the expenses of steel industry antipollution improvements over the next five years.

In their report, the steelmakers sounded a different cry: "The industry's profit margin has been reduced to the point where funds of the magnitude to comply with some of the proposed control standards simply will not be available in the near future." END

The Past Is Prologue

Twenty-five years ago in Nation's Business

(established 1912)



A changing relationship with Russia. A menacing rate of inflation. Imposition of controls on the economy. Talk of readjusting the tax burden. All these issues mixed in with the heady wine of Presidential election year politics. Does it sound like things you've been reading about lately?

Maybe so, but these subjects were being raked over 25 years ago in the January, 1948, issue of NATION'S BUSINESS.

The Iron Curtain was clanking down across Europe as war-fueled inflation was digging into America's wallet. President Truman was proposing controls for the economy, and pondering tax changes, while he looked ahead to his reelection campaign.

Gerald W. Johnson, as befitting an ex-editorial writer for the *Baltimore Sunpapers*, wrote an article called "Advice to the Next President." Concluding that inflation, taxation and the threat of war (with Russia) were prime issues, Mr. Johnson said: "Yet it is no great feat of imagination to conceive of circumstances under which all three might be shoved into the background by an entirely different set of problems. . . ." He foresaw "hidden" problems stemming from possible leadership changes in Russia, trade with socialist countries—"all the really profitable customers of this country are now socialized to some extent," he said—and the reconstruction of war-battered Europe.

And as they do today [see NATION'S BUSINESS, December, 1972], the editors of a quarter century ago had a story on what to expect from a new session of Congress. "What do you think Congress will do this year?" the reporter asked a Capitol Hill leader. "As little as possible," was the reply.

Harry Truman, in his campaign later that year, apparently felt that prediction had come true, and he lambasted the Republican-controlled "do-nothing Congress" on the hustings.

Shaken out of isolation by World War II, the U.S. now found itself thrust into hundreds of unfamiliar locations around the world. One article told about Ibn Saud, the Bedouin chieftain who became a monarch, and his partnership with American oil companies that were tapping the "black gold" of the Twentieth Century on the Arabian Peninsula.

There were other stories about how the tax burden was hurting business development in Rhode Island, about the virtues of smallness in retailing and about how seriously disabled workers were being restored to useful lives by a new generation of war-trained doctors.

In a monthly column called "The State of the Nation," Felix Morley discoursed on controls. He wrote: "The great majority of Americans are descendants of men . . . who came to this country to escape those countless regulations which kept them from being productive in Europe." And he asked: "Will a free people accept the National Socialist devices which have been so disastrous for Europe?"

What to Do When the Executive Recruiter Calls

What should you do when you get that mysterious phone call from the fairy godfather of the business world, the executive recruiter?

Here are a few suggestions, based on my years of experience as a recruiter, which may help you avoid throwing a golden opportunity out the window.

Usually, that phone call is unexpected, so you're caught off guard.

Think carefully.

Not interested in the opportunity presented? You probably should meet with the executive search man, anyway. He may have something else in the future that will be more appealing.

And suppose you decide to indicate that you just might be the man for the vice president's position that's being filled.

Hopefully, even at this early stage, you are reasonably truthful about details.

Are you really earning the salary you quoted—or is it actually about $5,000 less? Did you subtract 10 years from your age—or tactfully duck the subject altogether?

Polite and charming as your executive searcher will be, he makes a real fetish about double checking details. So avoid a credibility gap. If you don't, you'll probably become an instant noncandidate.

The next step is a face to face meeting. Don't try to project the image you think the executive searcher wants; be yourself. Be natural and be honest.

On his turf

And remember that—regardless of what club, restaurant or office you meet in—it's the searcher's turf you're on.

Some executives haven't been in the job market for a while and they've slipped into comfortable but sometimes annoying habits in the safe confines of their cozy offices. Use common sense.

Your secretary may adore the aroma of your cigar, but cigars really turn off a nonsmoker, so why risk one at this meeting? A drink or two is fine but don't go beyond that and leave yourself open to a little quiet speculation by the searcher.

A fresh haircut is too obvious; have one a couple of days before your date. Dress in present-day fashion but not so far out that you stop traffic. Save the pink, red and green stripe shirt for your third week in your new job.

Both you and the executive searcher are trying to determine if you fit the job opportunity. Don't hesitate to ask questions—raise doubts if necessary.

After half an hour, you may both agree that this isn't "it." In which case, cordially conclude the meeting but leave your lines of communication open. If the executive searcher liked you, he'll call you again.

If it's "it"

But suppose this is "it." Now your friendly searcher is selling you on his opportunity and urging that you talk with his client company. He may even confide the name of the organization.

It occurs to you that you've played golf with Charlie Keyman of said organization. Why not ensure the inside track and give Old Charlie a call, just to mention that you'd sure love to work with him?

Bad move! What if you're being considered to replace Old Charlie?

Even if this isn't the case, such a

JOHN S. STUDWELL, *author of this article, has 16 years' experience as an executive search consultant. He has been president of John S. Studwell Associates, New York, for more than a decade.*

When the Recruiter Calls *continued*

phone call is usually fatal to your chances. No one will ever tell you, but the minute you started hinting to Old Charlie that you were available you shot yourself down in flames!

Most clients are insistent on working only through their established communication channels. So resist the temptation to make that call. Play the rules of the executive searcher; he's got the ball. He hasn't told you this, but you can be sure there are at least two or three other equally qualified candidates waiting in the wings. The race is far from over.

Meeting the client

When the time arrives to meet the client, your introduction will be more pleasant and smoother than you ever imagined.

First, the search consultant will have oriented you in reasonable depth about the company and the job opportunity. He has also said some nice things about you to the client. He has provided a detailed summary of your background. You've been presold.

Always remember that the client has a need. He wants to hire someone. It might as well be you if you like what you see and the client likes what he sees.

Once again, the same interview suggestions apply. You are on a sales mission to present your qualifications. True, you may decide against what the company has to offer, but you'll never get the information on which to properly make that decision until you have done a decent job in presenting your own credentials.

Do homework on the company so you can ask relevant questions. Interest and enthusiasm may seem trite, but they will play a vital role in your discussion. Whether you are talking to the chairman of the board or someone else down the line, that company man is very likely to have his organization, motherhood and blueberry pie all mentally lumped together. So be smart and make him feel that you couldn't agree more.

To the head-shrinker

By now, your prospective employer is almost ready to make the decision to hire you. However, several more

steps may occur before the actual job offer.

Some companies ask candidates to go through psychological appraisal (also known as a trip to the head-shrinker). Reasonably enough, this can make some candidates jumpy; you may not have gone through a test like this since college. However, if it is company policy and you want the job, you either accept it or become a noncandidate.

Actually, this test is simply another interview exposure—only this time it is with a professional psychologist. The company is just looking for confirmation of the character traits that you have already demonstrated in the successful progression of your business career.

So don't worry about these tests. Just relax and do the best you can. Keep in mind that Galileo would have flunked astronomy, physics and a psychological test because he kept insisting that the earth revolves around the sun; not vice versa as was the accepted dogma of his time.

Keeping the door open

If the job offer comes but you're not entirely happy with all conditions, the search consultant can be an invaluable go-between for salary negotiations and ironing out other problems. By the time a company makes a firm offer, the search consultant is solidly on your side. Tell him of your reservations and he'll do everything he can to help bring negotiations to a successful conclusion.

You can close the door forever by saying No directly to the company. But saying No to the consultant gives him a chance to review the situation with you and the company. You'd be surprised how many times he can help to turn that No into a Yes that is pleasing to both sides.

After that, it's the best of luck on the new job! END

REPRINTS *of "What to Do When the Executive Recruiter Calls" may be obtained from Nation's Business, 1615 H St. N. W., Washington, D. C. 20006. Price: One to 49 copies, 35 cents each; 50 to 99, 30 cents each; 100 to 999, 17 cents each; 1,000 or more, 14 cents each. Please enclose remittance with order.*

Our Low-Grade Travel Promotion

The international travel market is now a $20-billion-a-year plum, and country after country is trying to get a bigger bite of it.

Many of them are trying harder than the United States is.

Though foreign tourists do not come to the U.S. in anything like the numbers of Americans traveling abroad—travel has accounted for better than half of our balance of payments deficits in seven of the last 10 years—we spend less than 14 nations do to attract tourists.

The U.S. Travel Service, whose job it is to lure tourists, has been operating on extremely slim budgets. Last year, Congress appropriated $6 million. President Nixon asked for $12 million for fiscal 1973 but Congress gave USTS only $9 million.

At last count, 94 foreign countries were operating 206 travel promotion offices in the United States. We have fewer than 20 such offices abroad and some of these are run by individual cities and states.

USTS has less than 100 employees. One covers a sales territory that embraces 20 countries. Another, singlehandedly, serves a region almost as large as the United States. And yet, USTS estimates some 70 million people in the countries served by its eight regional offices have the means to visit the United States.

"Every successful businessman knows that to make money you must invest money," says Sen. Jacob Javits (R.-N.Y.) in urging a larger travel promotion budget. "That is what the United States must do to win more international travel dollars."

One set of statistics, particularly, should help backers of a more vigorous effort to attract foreigners. It has been estimated that every $20,000 they bring into the U.S. creates one job. And each foreign visitor, on the average, brings in $400. END

GREAT MOMENTS AND GREAT MEN OF AMERICAN BUSINESS

BY STERLING G. SLAPPEY
SENIOR EDITOR

Nearly 20 years before the American Civil War, a young civil engineer named Edward Anthony set up a photography shop in New York City—an audacity almost like setting up a tourist agency today to sell excursions to the moon.

But the young man knew what he was doing. His shop prospered, and he became the country's first manufacturer of photo materials.

Photography boomed, partly through the work of a little-known cameraman who paid off a debt to Mr. Anthony with some negatives which are now historic—their subject was the Civil War and the cameraman was Matthew Brady. Photographs Mr. Anthony himself took settled a border dispute between Canada and the United States. He ran the world's first photo contest. . . . Today, his firm is GAF Corp.

Henry Wells and William G. Fargo, two other great men of American business, created one of its great moments when they met in New York's Astor House in 1852, and decided to form an express and banking company in San Francisco. They took their time, waiting to see if California's Gold Rush boom would last. It did, and Wells Fargo & Co. was born.

Somewhere in the history of all successful companies are great men who made the right decisions at the right time and great moments when the future hung in the balance.

Tom Allen was the great man of the early days of the Missouri Pacific Railroad. He was long on ideas, often short on cash. Despite Confederate raids during the Civil War, he pushed westward the railroad that opened the mid-South and the Southwest.

George Babcock and Stephen Wilcox started a boilermaking business in 1867 in Providence, R.I., and their firm, which still carries their names today, has gone on to many big things, including installation of the power plant in the world's first nuclear-powered merchant ship.

In 1895, a man with the regal name of King C. Gillette developed what now seems an obvious idea, but obviously wasn't then because nobody else had developed it. He began turning out the safety razor and one of the world's first throwaways—his famous blade.

Benjamin Franklin Jones helped found a small Pittsburgh steel mill, American Iron Works, 120 years ago. Within a few years James Laughlin, merchant and banker, joined the firm. And today we have Jones & Laughlin Steel Corp., a major enterprise that has added considerably to our knowledge of steelmaking.

Borg-Warner Corp., formed in 1928, is a youngster compared with such venerable companies, but Roy Ingersoll is by any standard one of the great men of American business. He was 65 when he took the helm at Borg-Warner, and when he left it the firm was diversified and prosperous.

In 1872, Harry and Max Hart opened a Chicago clothing store. Levi Abt and Marcus Marx joined in, and later came Joseph Schaffner. Today, we have a maker and marketer of fine clothing—clothing which bears many names, none of which have had as much effect on sales as has that of Hart, Schaffner & Marx.

Litton Industries does many things—from processing food to building U.S. Navy destroyers—and its sales are over $2 billion a year. But as recently as 1954 it was only a small electronics firm. Something called inertial navigation helped get it on the move.

In 1847, John Edmond Liggett, 18, went to work in his grandfather's tobacco shop in St. Louis. He soon took over and was joined by George E. Myers in a firm that became the top manufacturer of plug chewing tobacco. After ins and outs with the trust-busters, Liggett & Myers became a leader in cigaret manufacturing and in other fields as well. Research kept it out front.

Charles W. Schwab was the universal man of business—big thinking, big doing. He was the early great man of Bethlehem Steel, as well as of other firms. At Bethlehem, he stuck to expansion plans when things looked darkest. The impact on his company—and his industry—was dramatic.

Alcoa is another old-timer—1888 being its founding year. The enormous aluminum firm has led the way in packaging, in the making of light-gauge aluminum, in reclamation of metal and in a willingness to invest millions when the time seems ripe.

And then there's Ball Corp., a Muncie, Ind., maker of jars for "putting up" fruit and vegetables which faced troubled times in 1945 when Edmund F. Ball came home from the wars. But he rose to the challenge, just as his father, Ed, and uncles, Frank, George, William and Lucius, had done in previous years. Today, Ball does all sorts of interesting things besides making jars.

There they are, the men and companies in the fourth installment of the NATION'S BUSINESS series, Great Moments and Great Men of American Business. Now, read all about them.

ALCOA Big Risks—and Rewards—in a Beer Can

By JOHN D. HARPER
Board Chairman and
Chief Executive Officer
Aluminum Co. of America

Sometimes, a great moment in business begins with a flash of inspiration in the mind of one man. More often, such moments are the culmination of long study and careful planning by many people.

Either way, business milestones almost always require the same ingredients—foresight, resources, know-how, capital and a management team willing to take a major risk.

Such an occasion for Alcoa arose in the early 1960s. Its source was the tremendous opportunity we saw for light-gauge aluminum sheet in the rapidly expanding convenience packaging industry.

Our research and development work on easy-open ends and aluminum cans suggested that aluminum represented a superior product in this market for both packagers and consumers. Our sales development staff predicted growing demand.

We already had two excellent rolling mills, in Tennessee and Iowa. Both were operating at high levels, producing a wide range of quality sheet, largely for use in construction, transportation and aerospace.

But to fulfill our expectations for the packaging market, we needed a special facility—a new kind of mill that would roll sheet of one alloy and one temper in great volume at speeds twice as fast as we had ever done before.

The question was—could we become confident enough in the future of light-gauge aluminum sheet to launch a full-scale construction and marketing program to fill a demand that was still somewhere over the horizon?

Would we risk building a huge, single-purpose mill on the strength of our convictions—convictions based on thorough market research, but by no means unanimous throughout Alcoa management?

Now, merely to predict a future market involves little risk. If you're wrong, it hasn't cost you anything. But implementing a multimillion-dollar plan of action on the strength of such predictions is something else again. If you're wrong, you've lost years of valuable time, and vast amounts of effort and money. At such hours of decision, I believe, you separate companies that are leaders from those that are followers.

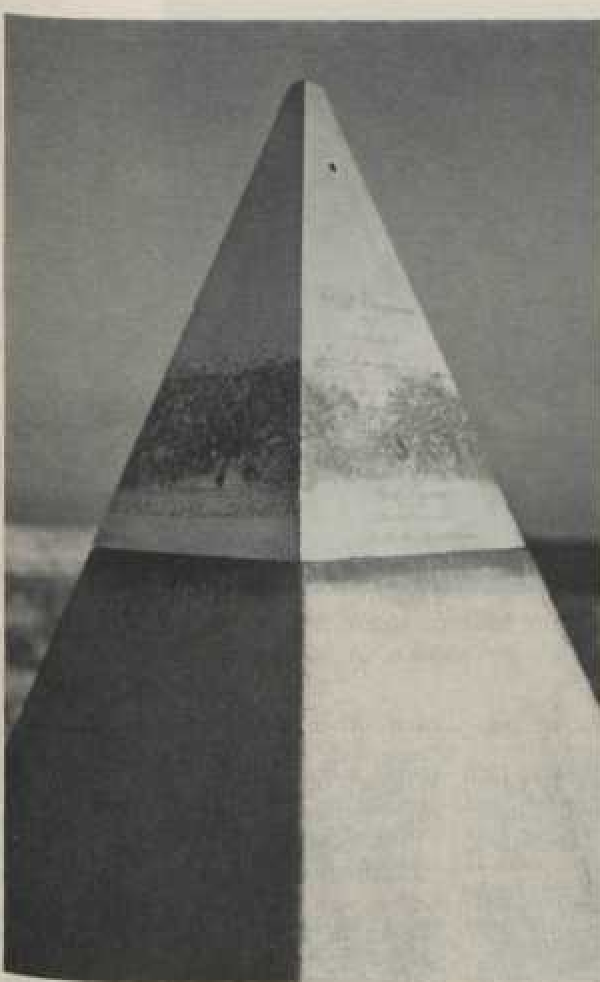
The history of the Aluminum Co. of America is punctuated with similar situations. Since its founding in 1888, it time and time again has ventured into new business areas, building plants to manufacture products for which no real demand then existed.

While we weighed all the risks against all the possibilities for a specialized sheet mill, our research and product and market development people were pursuing all avenues to build demand.

The aluminum easy-open end began to catch on with brewers. And our labs were instrumental in developing processes for mating the aluminum easy-open end to the standard tin plate can. We also did a lot of development work on a two-piece, all aluminum, drawn and ironed can for beer and soft drinks, on processes for making shallow drawn containers and on new coatings and decorative finishes for them.

In 1962, we laid an aluminum beer can and a recommendation before the board of directors and—after considerable discussion—the decision was made. Go! Alcoa would spend more than $100 million on a new kind of plant—the aluminum industry's first one-product fabricating facility, a rolling mill solely for volume production of light-gauge aluminum sheet.

The green light set off more than construction. It initiated an extensive round of development programs—for new alloys and processes and products, for new lubricants and coatings to make it possible to run sheet at better than mile-a-minute speeds,



You're looking at an object you've probably seen from a great distance, but never close up—the tip of the Washington Monument in the nation's capital. In December, 1884, a 100-ounce cap—then the largest piece of aluminum ever made—was set on the tip and it has been there since. Checks made in 1934, when it was 50 years old, and in 1964, when it was 80, proved aluminum's durability. You can still read engraved inscriptions on the cap, if you can get up that high (the obelisk is 555 feet tall). Alcoa, which was founded four years after the cap was installed, likes to cite it as evidence that aluminum can be used for all sorts of jobs and still look good years later.

for new continuous ingot casting methods and sophisticated computer control systems. We wanted a production line which would begin with molten aluminum and end with coiled, finished sheet finer in tolerance, temper and quality than anything the industry had produced.

We reorganized the company's marketing arm to get out and hustle the potential we saw into the reality we needed.

Ground was broken at Alcoa's Warrick Operations on the banks of the Ohio River near Evansville, Ind. We already had a smelter there, started up in 1960. It would be expanded to feed the sheet mill.

Even as the plant was under construction, we had moments of misgiving. The three-piece tinplate can was the standard for beer and beverage applications. Competitive materials such as glass, plastics and composites had a strong grip on many of the product areas we wanted to tap. And the competition was rough from other aluminum producers seeking the same markets we were.

Nevertheless, at the end of three years, we had built the industry's most advanced combination of computerized hot breakdown and high speed finishing mills and support facilities ever planned to produce a single product. We were committed. Now we either penetrated the markets we were after or we'd be piling up thin-gauge sheet in warehouses from Los Angeles to New York.

What happened was that aluminum sheet from our Warrick Operations led the way in one of the most successful marketing stories in modern business. Packaging has been one of aluminum's fastest growing markets, and Warrick was one of the key factors in its growth.

In 1971, for example, the plant turned out more than one-half billion pounds of high-temper, superhard, H19 sheet, a 110 per cent increase in production over base year 1967.

Almost 90 per cent of that metal went into rigid container applications.

The aluminum easy-open end brought to market by Alcoa was used on 93 per cent of the beer and soft drink cans sold in the U.S. in 1971. Warrick sheet is used on billions of aluminum closures every year.

Largely because of the aluminum end, sales of soft drinks in cans increased 382 per cent between 1965 and 1971. For that same period, sales of canned beer increased 92 per cent. The all-aluminum can now accounts for 21 per cent of all beverage cans sold in the U.S.

And a laminated sheet product recently introduced by Alcoa promises to open the way for use of the Alcoa easy-open end on containers for a vast array of highly acidic foods previously closed to aluminum because of their corrosive nature.

Warrick has more than met expectations. It is a self-sufficient plant with its own coal mines, power generating facilities, ingot lines, rolling and annealing equipment, and a complete facility for processing and recycling scrap generated by Alcoa and its customers.

Recyclability is an important asset as the nation seeks to conserve energy. On the basis of total energy consumption to turn out a finished product, such as an aluminum can vs. a tinplate can, aluminum compares favorably with competitive materials. If the aluminum product is recycled, the result will probably tip the energy consumption scales in favor of aluminum. Only a small amount of energy is required to turn aluminum can scrap back into container sheet.

A special facility is being built at Warrick to handle growing shipments of cans from consumers participating in Alcoa's YES WE CAN reclamation and recycling program.

Along with substantiating the faith of its supporters, the Warrick mill—and its primary product, high quality, thin-gauge sheet—has changed the face of industry.

It is a classic example of venture capital at work and of effective melding of manufacturing insight, research and development expertise, and aggressive marketing philosophy applied to the advantage of a company's shareholders, employees and the consumer. END

BABCOCK & WILCOX Power for Tom Edison—and the Nuclear Navy

By GEORGE G. ZIPF
President and
Chief Executive Officer
Babcock & Wilcox Co.

One of the world's leading billion-dollar industrial companies, with a myriad of products and manufacturing facilities, had its beginning over a century ago in the determination of two young men to produce a safer, more efficient steam generator.

Steam was the force that powered the Industrial Revolution. By the mid-Nineteenth Century, the face of America had been changed forever, as we became a nation of manufacturers rather than agrarians.

However, the fast-growing need for energy to satisfy our increasing industrial needs was outpacing existing sources of supply. Water power had its limitations and existing steam generating systems had disadvantages in performance and safety.

Considerable work was under way in the field of boiler design and the most promising approach appeared to be the "water tube" boiler, in which water inside the tubes was heated from the outside.

Among those active in the field was Stephen Wilcox, an engineer from Rhode Island. In 1856, at the age of 26, he applied his knowledge of water circulation theory to perfecting a new boiler concept.

Thomas Alva Edison would later describe the Wilcox-designed system as "the best boiler God has permitted man yet to make."

Mr. Wilcox's design incorporated inclined water tubes, connecting water spaces at the front and rear, with a steam space above—allowing better water circulation and more heating surface. Of even greater importance, he had developed a boiler which was inherently safe.

Development of the water tube principle cleared the way for the modern era of large, high-pressure and high-temperature steam power plants.

Ten years after the initial patent was issued, Mr. Wilcox became re-associated with his boyhood friend, George Herman Babcock, in Providence, R.I.

Mr. Babcock, the son of a well-known inventor, had begun his own business career at 19 by starting his own newspaper and printing concern. With his father, he invented the first polychromatic printing press, and he later patented a job press which took a prize at the London Crystal Palace International Exposition in 1855.

In 1867, the first Babcock & Wilcox boiler was patented and the partnership of Babcock, Wilcox and Co. was formed. The personalities and talents of the two men complemented each other well. Mr. Babcock was "reserved and conservative," Mr. Wilcox "outgoing and blessed with eager enthusiasm."

The new company had no manufacturing facilities and the first B&W boiler was built at the Hope Iron Works in Providence. Sold to Carpenter & Cross of Providence, for Valley Worsted Mills, it supplied 50 horsepower at 50 pounds' pressure.

It was another year before the second B&W boiler was sold, to another Rhode Island concern. But the demand for energy was burgeoning and the company soon gained stature for its technical leadership, as industry recognized the added performance and safety of B&W boilers.

At the 1876 U.S. Centennial Exhibition in Philadelphia, the B&W boiler won high honors as one of the wonders of industrial development.

Sugar refineries were among the foremost users of B&W boilers during the 1870s. But in 1881, Babcock and Wilcox installed four 73-horsepower boilers for the nation's first central electric power station at the Brush Electric Light and Power Co. in Philadelphia.

That year marked two other milestones for B&W. The Babcock & Wilcox Co. was incorporated in New Jersey, with Mr. Babcock as president. And the company went international as Nat W. Pratt, who would succeed Mr. Babcock as president,

Babcock & Wilcox installed this impressive rank of boilers over a 17-year span, 1871-1888, for a sugar refining company in Brooklyn, N.Y. Total horsepower: 3,235.

traveled to Europe to launch a sales operation. He used his extensive knowledge of sugar refining processes to sell B&W boilers to the process industries of Europe.

In 1882, electric lighting came to New York City with a major assist from B&W. On Sept. 4, Thomas Edison, in a white high-crowned derby, ordered the switch thrown at the city's first electric power plant—the Pearl Street Central Station of the Edison Electric Illuminating Co.

Four B&W boilers, similar to those at the Philadelphia plant, had been chosen to generate steam for the production of electricity. The station opened with 59 customers, using about 1,300 lamps. The B&W boilers consumed five tons of coal a day and 11,500 gallons of water.

In 1889, B&W took a giant step toward attaining leadership in the field of marine power. In that year, Stephen Wilcox's steam yacht *Reverie* was fitted with a boiler whose design was so acclaimed that within seven years similar boilers were ordered for the U.S. Navy vessels *Marietta*, *Annapolis* and *Chicago*, as well as for many English ships.

B&W boilers were to power much of the merchant fleet and almost all U.S. Navy ships into the nuclear age. And the company's record is unbroken today: B&W produced the first reactor vessels, pressurizers and heat exchangers for the nuclear Navy and remains a major Navy supplier. It also designed and built the power plant for the first nuclear-powered merchant ship, the *U.S. Savannah*.

From the beginning of the electric utility business, the company pioneered every major advance in steam generation design—higher pressure and temperatures, reheat, pulverized coal firing, welded pressure vessels, supercritical pressure designs. The same pioneering spirit was manifest in the development of highly efficient boilers for both general and specialized industrial requirements.

With this background it was logical that B&W became a pioneer in adapting nuclear energy to the production of electricity, and over the years the company has recorded many achievements in the nuclear field. These include production of the first privately owned plant for fabrication of nuclear fuel elements; and the nuclear steam system for the first public utility nuclear plant to receive a commercial license—the Indian Point Unit No. 1 of New York's Consolidated Edison Co.

And while a major B&W pursuit continues to be production of nuclear and conventional (fossil fuel) power generation systems, the company maintains a strong philosophy of diversification and growth in related fields. The result is that B&W has today become:

- An important source of production machinery for the automotive and other industries.
- A manufacturer of specialty refractories and ceramic fibers, and a source of kaolin clays.
- A leading producer of specialty steel tubing, steel extrusions, rolled rings, and welding fittings and flanges for the automotive, chemical, petroleum and metal working industries.
- A general contractor in the construction of utility plants and other industrial facilities.
- A recognized source of computers and systems for process automation and power plant information and control apparatus.
- A manufacturer of velocity control valves and other specialized fluid controls.
- A prominent supplier of such diverse items as boiler cleaning equipment and closed-circuit television systems.

More than a century after Stephen Wilcox and George Babcock joined forces to exploit a good idea, B&W continues to apply creative engineering and research to its world-wide operations. Thirty-six thousand men and women strong, B&W is a vital force in global industry. END

BALL From the Kitchen to Outer Space

By JOHN W. FISHER
President
Ball Corp.

It was 1945 and Edmund F. Ball, home from wartime service as an Army officer, was back in the top management of the family company in Muncie, Ind.

The outlook from the executive suite was a troubled one.

A critical appraisal of the 65-year-old company revealed dangerous signs of age, both in plant and people. Growth had reached a plateau and stayed there.

The business could have been sold or liquidated without financial hardship on the family. But turning things around would require hard work and tough decisions, some of which would have an adverse effect on Muncie, a community to which the Ball family had close business and personal ties.

In deciding to meet the problems head-on, Mr. Ball and other members of his family acted in the competitive spirit of the founders, his father Ed and uncle Frank Ball, and reflected their determination to manage change, rather than be overcome by it.

In fact, a key decision by Ed and Frank Ball at the outset had touched off a series of events that transformed a tiny, one-product company into today's aggressive Ball Corp., a highly diversified firm with activities ranging from the petroleum industry in Southeast Asia to the design and manufacture of spacecraft.

The brothers made and sold glass jugs, encased in tin jackets, for use as containers for paint and kerosene.

The important moment came when they decided they would make their own glass jugs, rather than buy them.

Three other brothers, George, William and Lucius, joined the company and all five began searching for ways to make greater use of their capacity for both glassmaking and metalworking.

They found the answer when they learned that the patent had expired on John L. Mason's design of a jar with a screw-type zinc cover.

The Ball-made Mason fruit jar, which was to become a staple in "putting up" fruits and vegetables in kitchens throughout the country, was then introduced.

Glass containers constitute about a third of our business today. We supply commercial customers, chiefly foodpackers, in addition to the home canning line.

While home canning products now represent less than 10 per cent of our business, sales have shown dramatic gains in recent years.

It was our glassmaking business, which resulted from that early decision by Ed and Frank Ball, that got us into the space program.

It happened this way: In the mid-1950s, we provided some financial assistance to a small young company in Boulder, Colo., that was conducting experiments for us on a new system for weighing raw materials used in glassmaking.

The system was a laboratory success but a commercial failure and we wound up owning the company, which we staffed with several physicists recruited from the nearby University of Colorado.

We gave this group a deadline to develop a profitable product or go out of business. It came up with a control system for high altitude sounding rockets. A short time later, a National Aeronautics and Space Administration official, who was familiar with the control system, invited Ball Corp. to participate in the design of an Orbiting Solar Observatory which would revolve around the earth with its instruments constantly pointed toward the sun.

A successful prototype was designed and made, utilizing the principle of the gyroscope.

Ball Corp., which had made its name in the Nineteenth Century as a maker of fruit jars, then became the prime contractor for seven such spacecraft.

We developed for the OSO a spe-

Edmund F. Ball is now chairman of the Ball Corp. Executive Committee.

Ball Corp's. first successful product was this tin-jacketed glass jar for kerosene. On one side of the container was a panel through which the user could look to determine how much kerosene still was inside.

cial lubricant which we later supplied for the Lunar Rover and cameras used on the surface of the moon. We have also provided experimental hardware for Skylab and for other space flights launched in this country and abroad.

Our experience in moving into the space program after acquiring the technical company was in the tradition of the founders, who always sought to exploit fully any field they entered.

The zinc used for the fruit jar covers brought them into the manufacture of rolled zinc, and today we are the country's leading supplier of zinc dry-cell battery cans, photoengraving plates and related chemicals.

In 1935, the company set up facilities for turning out its own rubber sealing rings for fruit jars. As a result, we now have two divisions that supply rubber and plastic components to the automotive and appliance industries.

There have been many major changes and additions in our facilities as a result of our growth in these many fields.

Some hard decisions have been made in the past quarter century, including the abandonment of our home town plants for making corrugated boxes, rubber, glass containers and zinc. Obsolescence demanded action, and practical considerations of location for these specific operations outweighed sentimental and personal business ties to Muncie.

We now have four glass container plants strategically located to serve our customers across the nation. We have built the world's largest and most modern mill for continuous casting, rolling and fabricating zinc. We acquired the world's largest independent metal lithographer. We also acquired a division in the forefront of two-piece can-making technology, and we are now quadrupling this division's productivity by building a third plant.

Through the years, we have sought to properly identify strengths and weaknesses in all the industries in which we participate, applying management talent and financial resources to the development of those areas in which our proprietary skills seem likely to produce best yields.

As examples: We developed our own glassmaking quality control instruments and coatings systems, which we now sell to the industry both in the U.S. and overseas. We have expanded from battery cans to zinc plates treated with photo-sensitive polymers, and a complete line of equipment enabling newspapers to print directly from zinc.

There were two important developments in 1972. Ball Corp. went public for the first time, and we acquired a company that fabricates and markets equipment for Southeast Asia's petroleum industry. (We came in contact with that company through our Boulder technical group.)

A review of our history shows there have been many great moments and great men—and also that most of our annual sales of $180 million are generated in facilities built or acquired in the past 15 years.

That's why I rank our 1945 decision to stay in business and adopt a strategy of growth as the most important moment for Ball Corp. END

BETHLEHEM STEEL Self-Confidence on the Brink of Disaster

By LEWIS W. FOY
President
Bethlehem Steel Corp.

Bethlehem Steel Corp. was on the verge of failure. Millions of dollars of the personal fortune invested in the firm by its founder and chief owner, Charles M. Schwab, were in jeopardy.

Both he and his newly formed corporation were being squeezed severely in the money panic of 1907.

Almost immediately after its birth in January, 1905, when it acquired its first steel-producing operation at Bethlehem, Pa., the fledgling firm embarked on a $12 million expansion program. But, in the financial whirlwinds of 1907, most of the bonds to finance the project could not be sold. Soon creditors were pounding on Bethlehem's doors for payment of millions of dollars.

The end appeared at hand for the company that today is the second largest integrated steel producer in the nation.

It was a strange position for Mr. Schwab, who just a few years earlier had helped engineer the formation of U. S. Steel Corp. and had served as its first president between 1901 and 1903, and who also had helped form International Nickel, American Steel Foundries and Chicago Pneumatic Tool.

The endangered project would upgrade the Bethlehem plant greatly through extensive additions and improvements that would make it one of the industry's most competitive.

For example, it would create a new "Saucon division," consisting of open hearth furnaces, structural mills and a rail mill.

It would permit Bethlehem to produce then-revolutionary new types of structural steel shapes—wide-flange rolled beams, rolled girders and rolled column shapes of "H" section.

It would permit production of open hearth and nickel steel rails, open hearth billets, I-beams, channels, angles and other standard shapes. Blast furnace capacity would be increased, too—and raw materials storage and handling facilities would be improved.

Aside from this vast expansion project, many improvements already had been made to the original plant between 1905 and the 1907 crisis period. The intense Mr. Schwab added new furnaces for making high-speed tool steels, new drop forge and heavy machine shops, smaller rolling mills and other facilities.

When Mr. Schwab dreamed, he dreamed big!

Not only would this country's first structural mills to produce revolutionary wide-flange shapes change the future of Bethlehem Steel—but they would also help shape America by ushering in the age of the skyscraper.

They were called the Grey mills, after their inventor, Henry Grey—who, with his son, designed them. Eugene G. Grace, then superintendent of the Bethlehem plant and later president and then chairman of the corporation, headed up their construction.

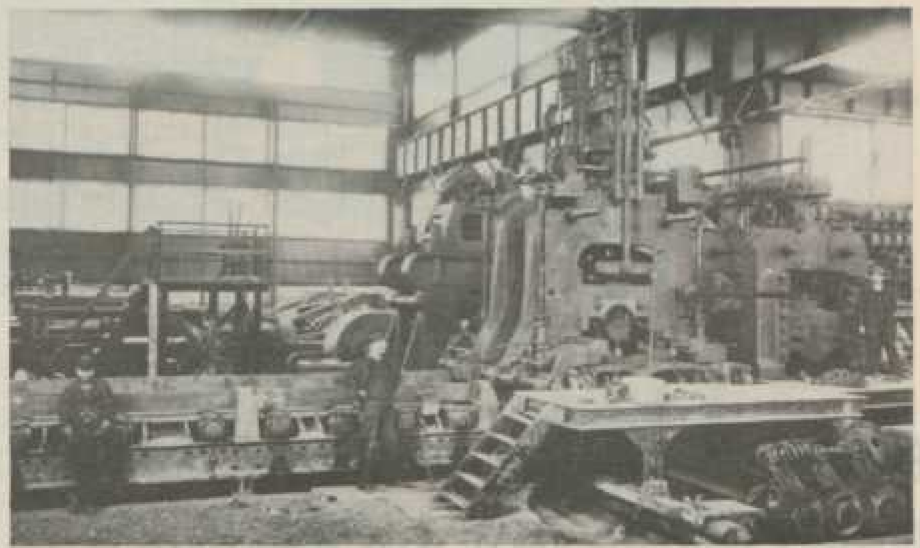
Work on the Grey mills and other facilities was well under way when the money panic of 1907 hit. Mr. Schwab called a meeting with "his boys," as he referred to them. Things looked bad. Most of his colleagues advised Mr. Schwab to give up the expansion project—or face risk of bankruptcy. With much hesitation, he at first agreed—and gloomily took a train to New York to consider how to work out a retreat.

The next morning he phoned his secretary very early and said: "Get up, Wardie, we are going back to Bethlehem and talk to the boys. I've thought this whole thing over, and if we are going bust, we will go bust big!"

He did more than just talk to the boys. In a 1947 address, then-Chairman Grace succinctly described how Mr. Schwab saved the day:

"Mr. Schwab's own confidence and magnetism pulled him through. At

Charles M. Schwab



Henry Grey, an associate of Charles Schwab, helped develop this rolling structural shapes mill which was put into operation at Bethlehem, Pa., in 1908. It was called "No. 2 Grey Mill" in his honor.

times he seemed to be able to exert almost a hypnotism to win people to his point of view. Just let me tell you a part of what he did here.

"He got all of the building contractors to accept notes ranging from $20,000 to $200,000 each. The excavating contractor agreed to complete nearly a half million dollars' worth of work on open account, and offered a loan besides.

"He prevailed upon several banks both in Philadelphia and Bethlehem to take various notes of $200,000 each. He prevailed upon the directors of both the Lehigh Valley and the Philadelphia and Reading Railroads to accept freight on credit. . . .

"Mr. Schwab tried every avenue. He used to tell of going to E.T. Stotesbury of Philadelphia in this crisis and asking him for money. Stotesbury said: 'I'll let you have a half million.' Schwab replied: 'Oh, that's nothing at all. I can get a half million in New York and they don't even know me there.' Stotesbury answered: 'That's the reason you can get it.' "

The Grey mills' special wide-flange sections, known as Bethlehem sections or as Grey beams, gave the construction industry two major benefits. First, the distribution of metal between the web and flanges could be readily controlled. This, in turn, made it possible to produce a section having the same strength as a so-called "standard" shape, but with up to 10 per cent less weight.

Second, it became possible to roll larger sections than were practical on the standard mills. This fact, coupled with the more ideal distribution of metal, resulted in a notable saving of fabricating time and labor as well as weight, since sections of comparably useful strength could hitherto only be produced by tediously assembling plates and girders.

This saving in both weight of materials and fabrication time made the great era of bridge and skyscraper construction possible from an economic standpoint. The Bethlehem wide-flange beam changed the skyline of America. And so basic did the wide-flange section become to Bethlehem that it eventually became part of the company's trademark.

In mid-1908, Charles M. Schwab was still begging banks for borrowed capital in amounts of millions to keep his business alive—on the strength of company assets of about $200,000 receivables and $700,000 cash-on-hand.

Yet the impact of the Grey mills and other improvements had so dramatic an effect on the young company that, after only a decade, revenues were $283.8 million in 1919. Shipments were 1.3 million net tons in that year, while steel production—once a few hundred thousand tons—was 1.8 million net tons.

By 1939, the year of Mr. Schwab's death, Bethlehem's revenues were more than $400 million (vs. nearly $3 billion in 1971); shipments were 5.5 million net tons (vs. 12.5 million net tons in 1971); and production of steel was 7.9 million net tons (vs. 17.4 million net tons in 1971).

Today, Charles M. Schwab's spirit of daring—or imagination, if you prefer—lives on at Bethlehem Steel. Within the past decade, the corporation has forged ahead to construct America's newest major steel plant—a fully integrated steelmaking facility at Burns Harbor, Ind.

The Schwab spirit also lives on at the original "home plant" in Bethlehem, Pa. For in 1966, field construction for a $90 million rolling mill and shipping yard modernization program began there.

A combination mill, capable of turning out standard and wide-flange structural shapes in 250-foot lengths at the rate of one a minute, and of rolling a full range of sheet piling, was built. It went into full-scale operation in 1969—shortly after a vast expansion of the plant's previous shipping area.

As a result, Bethlehem now has the most modern structural rolling mills in the world. Its role as a leader in the structural steel field has been ensured through the efforts of those who have come to follow in Mr. Schwab's footsteps. END

BORG-WARNER 65 Was the Age for New Fields—Not the Pasture

By JAMES F. BERÉ
President and Chief Executive Officer
Borg-Warner Corp.

The Borg-Warner of today did not just happen. It is the direct result of a conscious and sustained effort begun more than two decades ago.

Before the transition, Borg-Warner was closely tied to the cyclical swings of the domestic automobile business—a natural situation for a company formed in 1928 with the merger of four automotive parts companies.

Today, Borg-Warner still retains strong links to the auto business, but it has gained important positions in chemicals, air-conditioning and several other fields.

While many persons played important roles in creating the new Borg-Warner, one man clearly emerged as chief architect: Roy Ingersoll, president from 1950 to 1955 and chairman until 1961.

Ironically, he probably shouldn't even have been considered for the presidency, let alone have been elected to the job. That is, not by commonly held policies of today.

He was 65 at the time and had served for 21 years as president of Ingersoll Products division and as a director of the company. By most standards, he should have retired.

But Roy Ingersoll, who died in 1966, was not ready to be turned out to pasture.

Although 65, he remained a prodigious worker. His typical days ended at the office after eight to 10 hours and then continued at home until after 1 a.m.

His stamina was legendary. For example, during a day of hard bargaining a supplier complained of a headache brought on by hunger—it was past dinner time. Roy calmly asked that aspirin and water be brought in and negotiations continued unabated until both sides reached an agreement later that evening.

Time and again, the company had tapped his problem-solving abilities.

Roy also had an uncanny ability to detect patterns in a welter of financial reports and legal papers. He quickly grasped the big picture.

And, not incidentally, Roy understood the essence of effective administration—namely, the need to delegate, to simplify procedures and to allow the maximum play of individual initiative within an operation.

It wasn't long, for example, before he decided that having 40 executives, including the heads of more than 30 divisions and subsidiaries, reporting directly to him wasn't the best way to run a growing company of $331 million in annual sales.

He streamlined the organization by creating group vice presidents directly responsible for divisions producing generally related products. While the divisions remained decentralized for greater initiative and improved results, he nevertheless encouraged a productive liaison among the divisions. A process or development in one operation might be just the thing to solve a technical or marketing problem in another division.

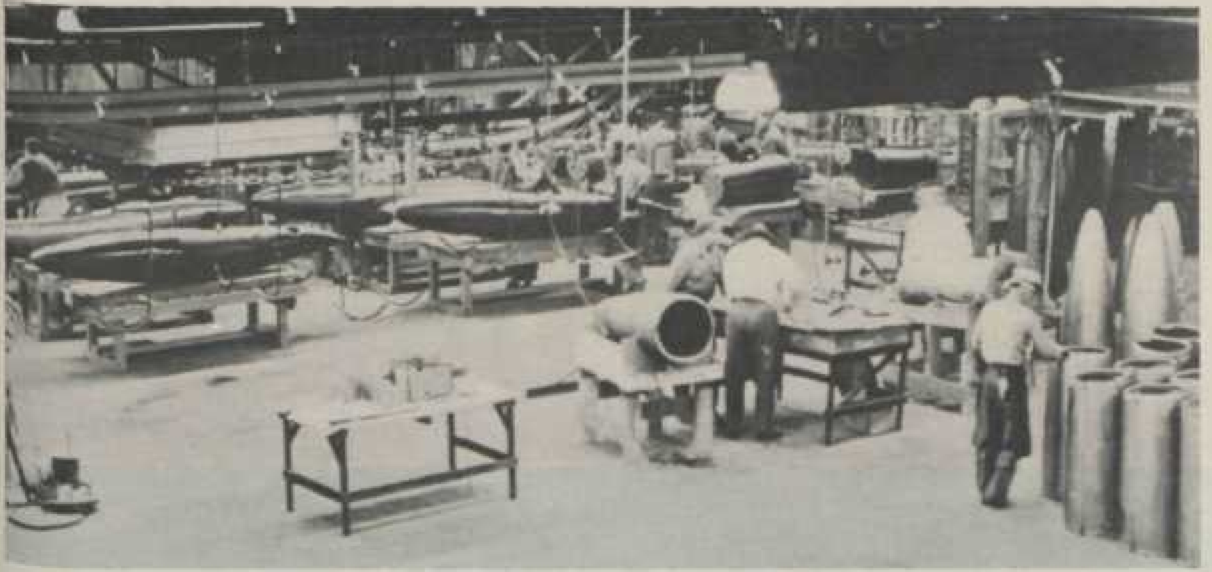
Roy's analytical gifts provided the underpinning for the development of Borg-Warner along broader lines.

When he took over in 1950 the company was the leading independent manufacturer of automatic car transmissions. Ford soon became its largest customer for these systems.

But Roy perceived—correctly, it turned out—that it was only a matter of time before the domestic car manufacturers would be making the major parts of vehicles themselves. Indeed, a six-year contract that Borg-Warner got in 1952 for half of Ford's automatic transmissions contained an option under which Ford could elect to produce all of its own transmissions after the contract ran out.

Roy was taking no chances. He and his team—mainly Lester G. Porter and Roy's son, Robert S. Ingersoll, my predecessor who is now ambassador to Japan—began to develop the policies and master plan that still guide the company today.

The plan, essentially, involved a



Evidence of company diversification: Building F-86 wing tanks during the Korean War.

carefully developed and sustained program of diversification on two fronts, internally and through acquisitions. Remember, this was in the early 1950s, long before diversification became widespread and stylish.

After the directors accepted the master plan, divisions were encouraged to develop new products and markets. They were to exchange ideas and expertise.

Acquisitions were subjected to the test of whether they would make a contribution to the entire company and vice versa. Indiscriminate buying of companies was out. And the prospect ideally should be a growth company.

Applying these criteria, Roy and his group drew up a list of more than 200 product types. These then were reduced to six fields that appeared to have greatest potential: new automotive parts and products, particularly where the company could build a strong patent position; home building and household equipment, including plumbing, air-conditioning and new lightweight materials; oil field equipment; chemicals; electronics and recreation products.

The master plan was set. The first major acquisition was in the oil field equipment business, and it came about rather casually—during an after-dinner conversation at Roy Ingersoll's home. E. S. Dulin, president of Byron Jackson Co., asked suddenly: "Would Borg-Warner still be interested in going through with that purchase of our company that we talked about a few weeks back?" Yes, indeed.

So, in 1955, Borg-Warner acquired a respected name in the centrifugal pump and oil field equipment business. Byron Jackson's sales that year were $30 million; today our two Byron Jackson divisions have combined world-wide sales of $150 million.

The second major acquisition was York Corp., a pioneer in air-conditioning and refrigeration equipment. When Borg-Warner obtained York in 1956 the new division's sales were $82 million. York's sales have now risen to $230 million.

Meanwhile, Borg-Warner did not neglect internal expansion. It made two important moves.

One was a heavy investment in its Marbon chemical division, acquired in 1934, for plants to produce a tough thermoplastic marketed under the Cycolac ABS trade name. The material is used extensively for telephones and communications equipment, auto grills, furniture, pleasure boat hulls and hundreds of other products. Today, it is the major product of our chemicals group, which has annual sales of more than $165 million.

The other internal move was to adapt the highly successful Borg-Warner automatic transmissions to smaller cars made overseas, a program intensified in recent years. The company began major investments that resulted in facilities in England, Wales and Australia, and a joint venture in Japan.

By 1971 these two acquisitions and two internal moves accounted for sales of more than $650 million, or about 60 per cent of Borg-Warner's total volume.

The acid test for Borg-Warner's diversification plan came in 1958 when Ford exercised its option and decided to make all of its transmissions itself.

At that time Borg-Warner was supplying Ford with $100 million worth of automatics annually, or about one sixth of Borg-Warner's average annual sales.

Because of the master plan, Borg-Warner weathered what could have been a severe jolt and went on to become a company that earned strong positions in many fields other than automotive parts.

Today, with sales of more than $1 billion and operations in 22 countries, Borg-Warner continues to adhere to the basic concepts developed under Roy Ingersoll's leadership in the Fifties—a rather remarkable testament to the soundness of these ideas.

And all this was begun by a man who had the good sense not to retire at age 65. END

Probably the most important parcel of land in the world is the two miles between the Capitol and White House in

GAF Photos Meant Success for Uncle Sam—and for the Photographer

By JULIETTE M. MORAN
Senior Vice President
GAF Corp.

While many corporations can claim to have witnessed this nation's evolution from an agricultural to an industrial society, few have photographic evidence to support their claims. Fewer still can link origins that are more than a century old with participation in the space age.

However, for GAF, first manufacturer of photographic materials in the United States, the visual record of American history over the past 130 years is synonymous with the development of the company's own photographic process.

In 1842, a young civil engineer named Edward Anthony opened a photo shop in New York that became the precursor of the multimillion-dollar photo products segment of GAF's chemical, building material and industrial products empire.

Although he had been out of Columbia University for only two years, he soon perfórmed a signal service, through the medium of photography, in determining the rightful territorial boundaries of this country in a dispute with Great Britain.

Mr. Anthony was a promoter of the French daguerreotype technique which made possible the production of pictures by the action of light on a chemically sensitized surface and his shop supplied the necessary materials for it. For those reasons, he was called on to photograph a highland range that marks the boundary between Maine and Canada—then a possession of Britain, which denied the existence of the range.

Mr. Anthony, hired by the U.S. government in the first practical use of photography by any government, took pictures that substantiated the U.S. claim. Spurred by the popularity that success had won him, Mr. Anthony opened a portrait studio in Washington, D.C. Using a Senate committee room, he made portraits of all members of Congress as well as of many other individuals prominent in national affairs.

Public exhibition of his work in Washington and New York created a huge demand for portraits and the equipment and materials needed to take them. Quick to recognize the business potential, Mr. Anthony in 1853 conducted the world's first photographic contest—a widely publicized event that lent considerable thrust to the marketing of his own photographic products.

Less than a decade later, he scored another first when his firm led the way with the introduction of the wet "collodion" process for making negatives on glass, greatly reducing the time of exposure and offering a limitless number of prints from a single negative.

In 1860, Anthony products were used to take the first-ever U.S. aerial photo. Boston Harbor was photographed from a balloon 1,200 feet above the ground.

The Civil War added impetus to every aspect of photography. Mr. Anthony extended credit to no less a luminary than Matthew Brady, who became the best-known photographer of that war. Mr. Brady paid his debt to the company by presenting it with a set of original negatives carrying the images of some of the war's great moments. Moreover, it was largely due to Mr. Brady's creative use of Anthony products that photography became accepted as a serious and profitable business.

After the war, the Anthony firm set about expanding its scope with the acquisition of companies related to the photographic process. Before the turn of the century, it had introduced a thin, rollable, transparent film which enabled much smaller cameras to be manufactured and greatly enhanced the popularity of photography.

Through a series of mergers, the original Anthony company evolved into Ansco Photo Products, Inc., which in 1929 became part of a holding company owned by German in-

Edward Anthony

One of the world's first aerial photographs was this exceedingly clear view of the Boston Harbor area made in 1860 with Mr. Anthony's materials. A wet-plate camera was suspended from a balloon 1,200 feet above the ground.

terests. A decade later, the holding company was renamed General Aniline & Film Corp., which was seized by the U.S. government during World War II.

Today, GAF Corp.—that's now the official name—is a private American firm whose stock is widely held.

GAF is continuing to be a factor in breakthroughs in the photography field. GAF film recorded the reactions of Alan Shepard on the nation's first space flight. And astronaut John Glenn, the first American to orbit the earth, used a specially modified GAF camera to photograph the earth's terrain. Those films were used to brief Edward White prior to his momentous "space walk" in 1965.

The company has matched its record in the photographic field in its other areas of business activity.

In 1886, for instance, GAF's building materials division was organized and it developed the first single-layer, ready-to-lay, roll of asphalt roofing only six years later.

The company's industrial products plant at Glenville, Conn., was the miracle of the day when Thomas Edison installed an electrical generator there, making it the first manufacturing plant in the United States to enjoy electric light. It was such a novelty that the plant ran train excursions from New York for those who wanted to see for themselves.

Dr. Jesse Werner, the company's president and chief executive officer, has already assured that GAF's achievements in the future will match its past accomplishments.

At Dr. Werner's instigation, GAF has invested more than $60 million over the past 20 years in research, development and production of high pressure acetylene chemicals, especially PVP—an unusual compound which resulted from original work by German scientists in the 1920s.

PVP (polyvinylpyrrolidone) is used in a full range of pharmaceutical and cosmetic products, as a food preservative, and in plastics, paper, textiles, electrical components, adhesives, agriculture and detergents.

Often called an "alchemist's stone," it is also used in a procedure that isolates cancer cells from blood, and in the measurement of intestinal permeability of kidneys to determine various types of jaundice. In addition, the compound has been used for such purposes as localization of brain lesions and the diagnosis of injury from radiation.

For his role in developing the market uses of high pressure acetylene chemicals, including PVP, Dr. Werner is the only man ever presented with honor awards of both the Commercial Chemical Development Association and the Chemical Marketing Research Association. END

GILLETTE Changing the Faces of the Earth

By VINCENT C. ZIEGLER
Chairman and
Chief Executive Officer
The Gillette Co.

One hot summer morning in 1895, a 40-year-old traveling salesman struggled in his Brookline, Mass., home to shave with a dull straight razor.

His thoughts turned, as they had in the past, to the idea of developing a shaving device in which the cutting edge could be used when perfectly sharp, and then could be discarded and inexpensively replaced.

On that particular morning, he thought of the answer.

"I have got it, our fortune is made," King C. Gillette wrote to his wife, who was away on a visit. He described what he'd thought of and, to make sure she understood, drew sketches. It was a safety razor.

Mr. Gillette's razor was needed, certainly, by men plagued with the age-old problem of what to do about facial hair. It had been the concern of kings and poets, of statesmen and generals.

Beards have been, depending on the swing of history, a stamp of uncouthness—even insanity; a danger to warriors (Alexander the Great ordered his Macedonian troops to remove their whiskers, which, he said, were a too-convenient handle by which enemies could seize them); a conclusive sign of manliness; a mark of dignity.

The last attitude was particularly prevalent in the period of the safety razor's advent. As an example, there was a serious strike in Paris at the turn of the century against a rule of hotels that waiters must be clean shaven.

Now, after thousands of years, a slow, painful, even dangerous operation—shaving—was to be changed to one which could be performed with speed, ease and comfort.

But it wasn't until a host of technical and financial problems were solved that King Gillette and several associates formed a company and began operations over a South Boston store in 1901.

Two years later, Mr. Gillette put his first razor on the market—and by the end of the year he had succeeded in selling exactly 51 razors and 168 blades!

Then the new shaving instrument caught on, and an international multimillion-dollar business had been launched.

By 1905, manufacturing operations had to be moved to larger quarters. A suitable building was found on West First (now Gillette Park), near Dorchester Ave. in South Boston. In that same year, the company's first overseas branch opened in London.

A driving force in Mr. Gillette's obsession to invent was his strong belief in the necessity for devices which would save time, giving more freedom for other activities, and would increase comfort.

This thought was expressed again and again in early advertisements. One, printed in 1906, stressed the theme under a picture of George Washington. It said:

"George Washington Gave an Era of Liberty to the Colonies. The Gillette Gives an Era of Personal Liberty to All Men."

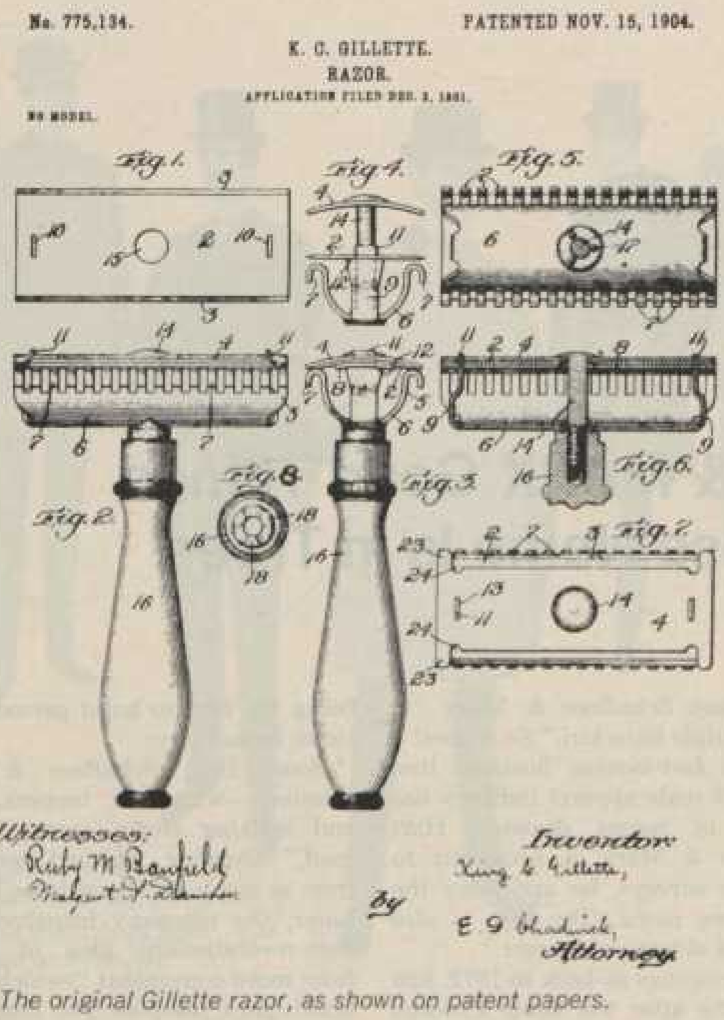
The advertisement continued:

"If the time, money, energy and brain power which were wasted in barber shops of America were applied in direct effort, the Panama Canal could be dug in four hours."

(Just where Mr. Gillette got the documentation for this statement remains unknown.)

In late 1917, the company got its biggest boost when the U.S. government bought 4.2 million safety razors for World War I servicemen. This wholesale exposure to the product by millions of men encouraged tremendous growth of the self-shaving habit in America.

Cartoons of the day showing a man shaving invariably had him doing so with the safety razor. Sinclair Lewis began his novel, "Babbitt," with his hero raking "his plump cheeks with



The original Gillette razor, as shown on patent papers.

a safety razor." The revolt against the straight razor was so complete that new Pullman cars had a slot in the men's washrooms for used blades. By 1926, over 140 million razors and six billion blades had been sold.

As innovation followed innovation through the years, the company's South Boston location earned the title of "World Shaving Headquarters." In 1948, the Gillette Co. took its first step toward what it is today—a diversified consumer products company—by acquiring the Toni Co., a small Midwestern firm with one major product: kits for women's home permanents.

An advertising campaign was launched featuring sets of twins with new permanents, one given at home and the other by a professional in a beauty shop, and asking readers: "Which twin has the Toni?"

Toni soon became a major factor in the women's grooming market. It, too, has diversified, and is now Gillette's personal care division.

It still makes the "home perm," but its product line also includes hair sprays, personal care appliances, shampoos and—the most recent addition—Hosiery Guard, a laundering product which gives strength and elasticity to women's hose.

Gillette continued to seek new products, but ones which had marketing and/or manufacturing similarities to its major line.

In 1955, the company acquired Paper Mate, a small West Coast firm which made ball point pens. Though the ball pen had entered the market after World War II, it fell into disrepute because of smearing, poor writing qualities and fading of ink. Paper Mate turned the entire market around by offering the first guaranteed ball point pen, and won acceptability from bankers and educators, who had scorned other models.

The '60s saw another major step. The company that started men in the daily habit of shaving, started another trend—the aerosol spray deodorant. Launched with strong marketing campaigns, such as "Nothing touches you but the spray itself," and followed by a family-oriented approach—"Don't leave your family defenseless"—the Right Guard family of deodorants was born.

Again, a nation's daily habits were affected.

Right Guard soon became so successful that it, along with Foamy aerosol shave cream, formed the foundation for an entirely new Gillette operation—the toiletries division. Since its establishment in 1968, the division has become one of the company's most successful, with the addition of The Dry Look aerosol hair groom for men and other family toiletries products.

While its product line has expanded, shaving products have remained a major factor in the business of The Gillette Co. In 1967, it made another acquisition, purchasing Braun AG, a West German maker of electric razors sold internationally.

And the company has continued to make great strides in easing the chore of shaving for men and women throughout the world. Carbon steel blades were followed by plastic coated ones and stainless steel in the 1960s, platinum-alloy blades at the end of the decade and the twin blade razor in the 1970s—all inventions of Gillette researchers.

The company employs more than 800 research and technical people—all seeking products that help to make life more enjoyable.

Last year, Gillette's sales exceeded $800 million. Its products reached more than one billion consumers in 170 nations and territories around the world.

Gillette is a company with strong resources—skilled people, and marketing and technical expertise. The capable management of these resources is the same goal that propelled King Gillette into the safety razor business. END

HART SCHAFFNER & MARX Good Things Come to a Firm Whose Name Is in Three

By JAMES K. WILSON JR.
Executive Vice President
Hart Schaffner & Marx

A season or two ago, a West Coast football coach was deluged with an irate fan's cup of beer. Inspecting his soaked garment, someone asked him, "What kind of suit are you wearing?"

The coach replied, according to a sports columnist, "A Hart Schaffner & Schlitz."

The story points up just how well-known the Hart Schaffner & Marx name is.

"The name caught on because of its rhythm," declared Edward L. Bernays, veteran public relations counsel, in his memoirs. The name also caught on with writers—and headline writers—because it affords quick, recognizable puns and references.

For example, a headline on a story about a man who urged that all dogs be clothed: "Hart Schaffner & Barks."

When a typographical error in a newspaper advertisement made us "Hart Schaffner & Mary," a columnist wrote that the firm was to be commended for "making the seamstress a full partner."

A fashion writer, decrying sloppy attire, decided such dress would cause Hart Schaffner & Marx "to commit triple hara-kiri." So it goes!

In the fast-moving business that America's male apparel industry has become in recent decades, Hart Schaffner & Marx is, according to consumer surveys, far and away the best-known name. The firm is also one of the oldest and largest.

Its beginnings go back to 1872, just six months after the Great Chicago Fire, when 21-year-old Harry Hart and his brother Max, 18, opened "Harry Hart and Brother," a retail clothing store on Chicago's State St. Later, brothers-in-law Levi Abt and Marcus Marx joined the brothers, and the partnership was called Hart Abt & Marx. In 1887, Joseph Schaffner replaced Mr. Abt, and the present name was adopted.

The move into manufacturing as well as retail operations evolved by chance. A downstate Illinois merchant saw clothing the young firm had made to sell in its own stores, and liked it so much that he ordered several garments for his own customers. The partners decided to find out if other merchants might be interested in buying their clothing.

Orders came in, and the wholesale business gradually overshadowed retailing operations. As the company grew, larger production facilities were needed.

The firm provided the nucleus for Chicago's men's wear industry by being the first to build garment factories in that city.

Soon, Hart Schaffner & Marx salesmen—with silk toppers, spats and walking sticks—were "on the road," showing finished garments from as many as 20 wardrobe trunks. Later, the company introduced the then-revolutionary idea of selling from more convenient "swatches," or small fabric samples. The innovation was widely adopted by the rest of the industry.

The firm has grown to the point where it now has nine manufacturing divisions operating 37 factories in 11 states and a network of 258 men's and women's apparel stores in 73 U.S. metropolitan areas. Sales last year were $372 million, more than double those of a decade ago.

Under the slogan "America's First Name in Men's Clothing"—its registered trademark—Hart Schaffner & Marx produces what is generally conceded to be the most comprehensive selection of men's apparel of any manufacturer. Its divisions make everything from suits to slacks, sport coats to country casuals, weathercoats to jeans.

Its brand labels, in addition to Hart Schaffner & Marx, today include Hickey-Freeman, Walter-Morton, Society Brand, Graham & Gunn Ltd., Sterling & Hunt, Gleneagles, Great Western, Austin Reed of Regent Street, Jaymar-Ruby and Johnny

In 1899, these were styles by Hart Schaffner & Marx. Those stiff shirt collars must have been great on a hot day.

Carson. The Johnny Carson line of men's clothing has been tremendously successful for Hart Schaffner & Marx since it was introduced in January, 1970.

Johnny Carson appears in print and television advertisements, and makes promotional appearances, throughout the country for the line.

Hart Schaffner & Marx marketing strategy also features Bob Hope and Jack Nicklaus in advertisements.

The firm has entered the international market through recent investments in Austin Reed Group Ltd., which operates 47 men's stores throughout Great Britain, and in Robert's, the leading manufacturer-retailer of men's quality clothing in Mexico. Hart Schaffner & Marx currently is exploring the possibility of manufacturing and marketing apparel in Japan.

In its 86 years under its present name, the clothier has evolved as a trend-setter, not only in fashion but in business ethics as well.

Toward the Nineteenth Century's close, seething unrest created by difficult working conditions, long hours and low wages erupted into a disastrous four-month strike in the men's clothing industry in Chicago.

From these events Joseph Schaffner emerged as a leader and humanitarian, translating his sense of strong, personal responsibility toward improving working conditions into an agreement with the union. The agreement became a working model for the men's garment industry, and later for the women's.

In the years since, the firm has never had a strike or a lockout, a milestone honored by the U.S. Labor Department in 1964 when it named Hart Schaffner & Marx and the Amalgamated Clothing Workers of America as the first two organizations admitted to its Hall of Honor.

The company has had many "firsts."

It was America's first volume clothing manufacturer to adopt standard pricing ("one just price and just one price"). This was a startling move in a day when price variations to retailers were in proportion to the size of orders.

Hart Schaffner & Marx innovated an all-wool policy, a courageous move for the early 1900s when truth in labeling was not what it might have been.

In 1897, the firm ran the first national clothing advertising campaign, and it has been running such campaigns without interruption ever since. It introduced the first Dacron polyester-and-wool suit in 1953 and went on to originate other wool-and-man-made fiber blends.

Heading up Hart Schaffner & Marx today are John D. Gray, chairman and chief executive officer, and Jerome S. Gore, president. Mr. Gray joined the firm in 1945 as president of its Baskin retail stores in Chicago, and was named president of its Wallachs retail stores in the East in 1948. He joined the parent firm in 1952 as vice president, was promoted to executive vice president in 1960 and president later the same year. He became chairman in 1970.

When Mr. Gray assumed the chairmanship, Mr. Gore became president. Mr. Gore has spent his entire career at Hart Schaffner & Marx, joining the firm in 1941 and rising through the ranks: a vice president in 1960, group vice president six years later, executive vice president in 1967.

In reviewing the company's record over the years, it becomes apparent that the Hart Schaffner & Marx name will continue to be popular not only with consumers but with writers as well.

Such as the West Coast writer who reported that a baseball manager had questioned a fashionable third baseman who appeared for a road trip carrying a suit carrier slung over a shoulder. Was it necessary to carry so many suits?

"Well," the player told the manager, "I heard you were looking for a fourth infielder to go along with Hart Schaffner & Marx." END

JONES & LAUGHLIN Cold Tongs and a Hot Idea

By WILLIAM R. ROESCH
Chairman and President
Jones & Laughlin Steel Corp.

Jones & Laughlin Steel Corp., the sixth largest steel producer in the United States, has a tradition of industrial pioneering older than its name. And its name goes back a long way.

The company traces its beginnings to the year 1853 when the Lauth brothers, Bernard and John, joined with two other businessmen, Benjamin Franklin Jones and Samuel Kier, to open a small iron works on the south bank of the Monongahela River at Pittsburgh.

They formed a partnership under the name of Jones Lauth and Co. and dubbed their little plant the American Iron Works. With a capacity of seven tons of iron products per day, the plant showed a profit of $2,000 by the end of that first year.

By 1856, Samuel Kier and John Lauth had left the firm and James Laughlin, a local merchant and banker, had bought into it. In 1861, Bernard Lauth also sold out his interest and the firm was reorganized under the name of Jones & Laughlins (with more than one member of both the Jones and Laughlin families participating.) By then the American Iron Works had become an integrated producer, through construction of two blast furnaces and some beehive coke ovens on the north bank of the Monongahela directly across from the original plant—which had grown to an annual capacity of 6,000 tons.

Before he left, Bernard Lauth had put his inventive mind to work on a new process that was to play a major role in the development of J&L and the steel industry. Part of this story is well documented, but part is only legend.

The legend is that one day Mr. Lauth was observing the rolling of a piece of hot iron when a worker accidentally dropped his tongs into the rolls. The tongs were squashed out of shape by their pass through the rolls, but Mr. Lauth was impressed by their appearance. They were bright and shiny and, as he found out later, they had been made stronger.

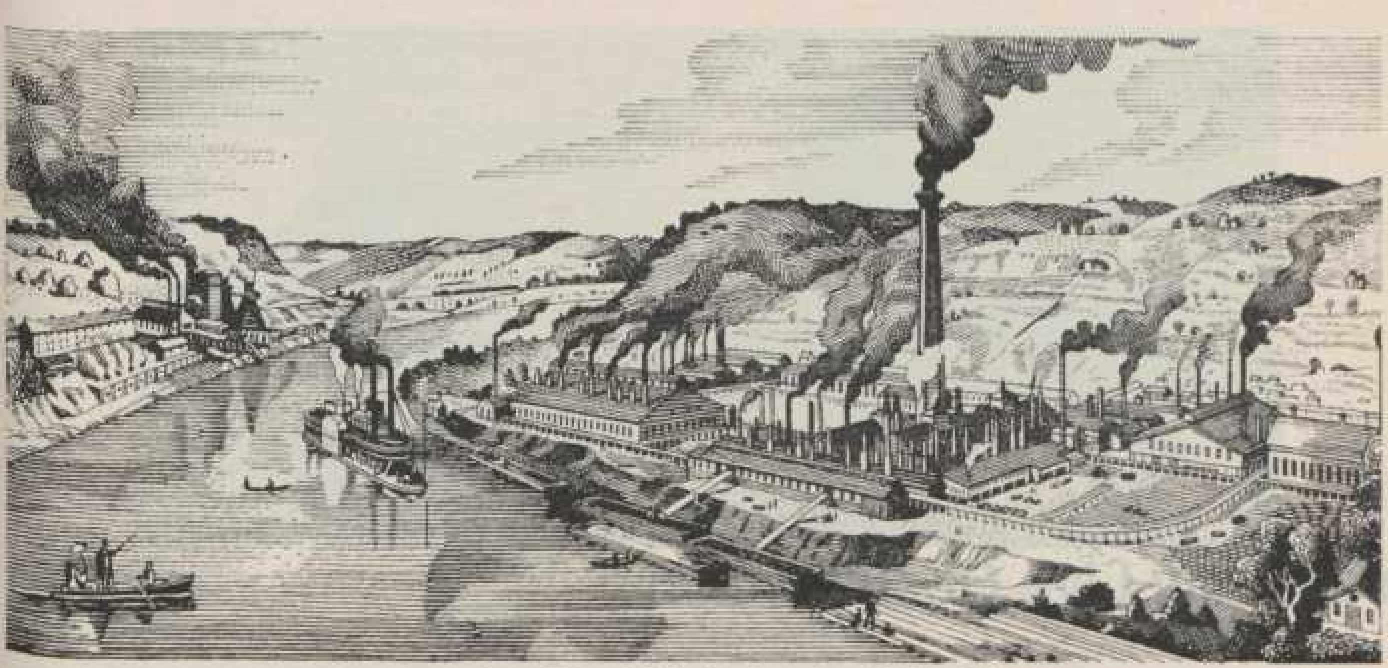
Regardless of how the idea came to him, the fact is that he recognized the significance of his discovery and its commercial possibilities and in 1859 he was granted a U.S. patent for a process he called "cold rolling." In his patent he described it as follows:

"Be it known that I, Bernard Lauth, of Pittsburg, [*sic*] in the County of Allegheny and State of Pennsylvania, have invented or discovered a new and useful process for hardening and finishing iron rods, bars, railroad rails, sheets, or plates, or those of steel, by what I term 'cold rolling'—that is to say, by passing them through between rolls when in a cold state, and at the same time add to their stiffness and strength without injury to the fiber of the metal. . . ."

Thus came into being a process for the finishing of iron and steel products which in 1971 accounted for about 35 per cent of all steel shipped from mills in the United States—more than 30 million tons.

Today, cold rolled sheets are used, for example, in the exposed surfaces of automobile bodies and household appliances, in the making of tin plate for tin cans, and in galvanized sheets for such things as roofing, siding and culvert stock. Cold finished bars, which are usually drawn in a die rather than rolled, are used for such things as axles and shafting, and are the material from which millions upon millions of small mechanical parts are machined.

When Bernard Lauth sold his interest in the American Iron Works to the B.F. Jones-James Laughlin partnership, he also sold them his U.S. patent rights to cold finishing. The process first found wide commercial use in the manufacture of cold finished bars, and Jones & Laughlins was in a position to take full advan-



Jones & Laughlin's American Iron Works plant in the 1880s. Near the center of this old etching is the Pittsburgh-New Orleans packet boat, under steam and heading for Dixie. Obviously, there wasn't as much concern about air pollution in those days as there is now.

tage of the new business. A plant was built to produce the new product and by 1870 output had reached more than 4,000 tons per year.

In the era of manufacturing expansion which followed the Civil War, Jones & Laughlins supplied cold finished overhead shafting for power transmission in two thirds of the factories that were built in New England and the South.

A foundry was opened to make pulleys and other accessories and the engineering department contracted to supply new factories with a complete package of power transmission equipment. This phase of the business declined after development of electric motors to drive factory machines, but the product found many other applications, and J&L remains today an industry leader in the manufacture of cold finished bars.

J&L grew and prospered in the last quarter of the Nineteenth Century under a variety of business arrangements among the partners. It became Jones & Laughlins, Ltd., then Jones & Laughlin Steel Co., and finally, in 1922, Jones & Laughlin Steel Corp.

Overall management of the firm was in the hands of Benjamin Franklin Jones until his death in 1903. He was acclaimed as one of the greatest of the independent iron masters. His family and the family of James Laughlin maintained control of the firm until it "went public," and continued in top management roles until recent years.

In addition to its leadership in developing the cold finishing process, J&L was in the forefront of other steelmaking innovations. The firm gave early recognition to the Bessemer and open hearth steelmaking processes and put them to use at the Pittsburgh Works. In 1904, it began construction of open hearth furnaces of 200 tons capacity, which were daringly large for their time.

In 1921, J&L became the first steel producer to use the Ohio and Mississippi River systems for the distribution of steel products to the South and Southwest. Its first barge tow downriver, called "The Steel Argosy," was hailed as marking a new era in the use of the inland waterways for the distribution of manufactured goods, and as a development which paid important commercial dividends to J&L.

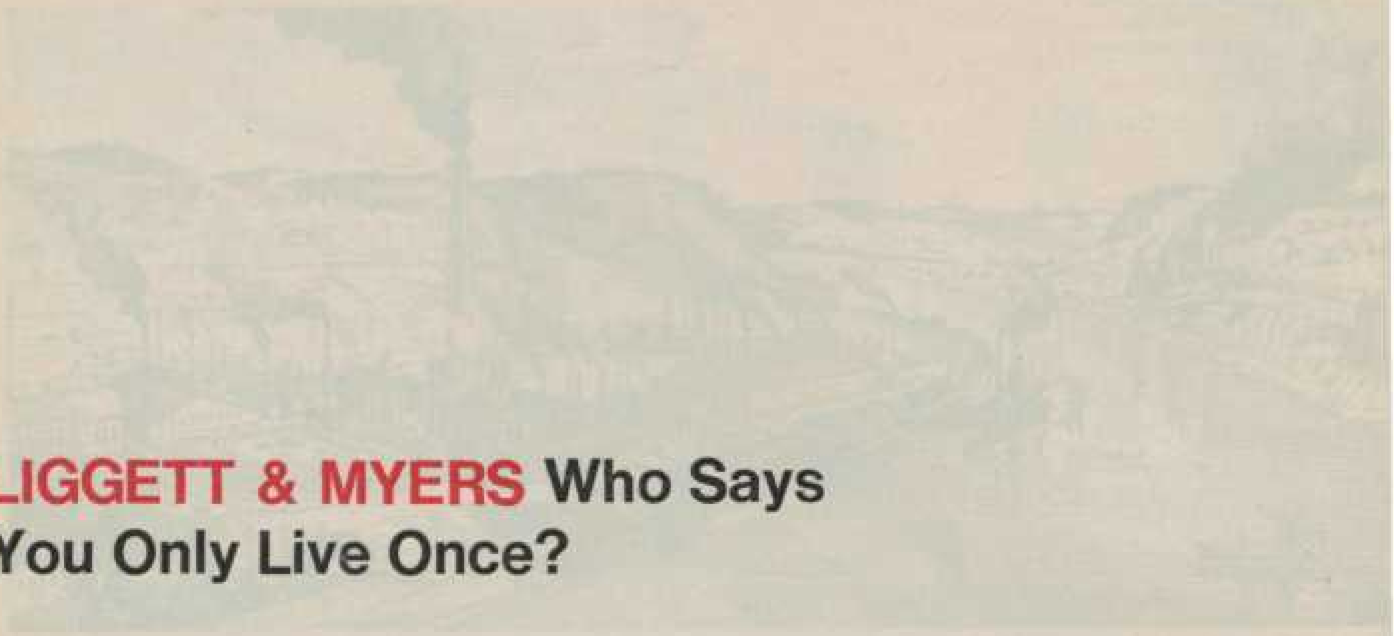
In 1957, J&L was the first of the major American producers to install the faster and more efficient basic oxygen furnace on a large scale, a process which now accounts for more than half of all the steel produced in America.

Although 81 per cent of its stock was acquired by the LTV Corp. in 1968 and 1969, J&L remains a publicly owned company, with more than 28,000 shareholders. The stock is listed on the New York Stock Exchange.

Today, J&L maintains its commercial standing as one of America's 10 largest steel producers, with sales of about $1 billion a year on steel shipments of about five million tons.

The company employs more than 30,000 people, and has integrated carbon steelmaking plants in Pittsburgh and Aliquippa, Pa., and Cleveland, Ohio. Other major production units are located in Hennepin, Ill., and Warren, Mich. Smaller plants, mines, service centers, warehouses and sales offices are located in more than 60 cities and towns coast to coast.

Bernard Lauth, Benjamin Franklin Jones and James Laughlin would be amazed at what their inventiveness and business acumen have created. END



LIGGETT & MYERS Who Says You Only Live Once?

By SAMUEL WHITE
Corporate Vice President
Liggett & Myers, Inc.

Most business historians date Liggett & Myers from a relatively impersonal beginning—the 1911 decree in which the U.S. Supreme Court ordered the huge American Tobacco Co. broken up into independent companies. Liggett & Myers was one of them.

But the origins of the company go back much further—to 1847, when John Edmond Liggett went to work at age 18 in his grandfather's tobacco shop in St. Louis, Mo.; to 1858, when John Edmond became head of the company under the name of J.E. Liggett & Brother, and to 1873, when another innovative tobaccoman, George E. Myers, joined the partnership, which then became Liggett & Myers.

By 1885, Liggett & Myers had become the largest manufacturer of plug chewing tobacco in the world, and this early combination of ability and tobacco business know-how kept it on top in its field until John Liggett's death in 1897.

Shortly afterward, the firm was absorbed by the American Tobacco Co.

As the Twentieth Century approached, the new commercial realities of smoking had become clear to astute tobaccomen. The urbanization of America was accelerating. New attitudes and modes were replacing the leisurely Nineteenth Century ways. The formal luncheon with its obligatory cigar gave way to the quick-lunch counter, urban haste became a natural way of life, and the pipe and the cigar became evening or after-dinner pleasures. Chewing tobacco remained largely a rural habit.

The cigaret was quick, it was modern, its potential was almost unlimited. Cigars and chewing and pipe tobacco were still important income sources, however, and the business trend of the day was toward diversification of product mix.

In this atmosphere Liggett & Myers, as the acknowledged leader among plugmakers, was acquired and but for the election of President Theodore Roosevelt, "The Great Trustbuster," might have disappeared from the corporate rosters altogether. While a lower court verdict had found "an absence of persuasive evidence (of) unfair competition," the huge tobacco combine was nonetheless ordered by the Supreme Court to be redivided into its major component companies.

Again independent, Liggett & Myers returned to its early formula of growth through the abilities and energies of people. In 1911, Herman Schreiber, a German-trained chemist, set up the company's first scientific research program, predating by a decade the emergence of the broad use of research as a significant factor in American industrial growth.

Mr. Schreiber realized that public acceptance of fine tobacco products would require careful research on balance, taste and quality, not just the best leaf.

Liggett & Myers became a leader in the art of blending. The straight Bright cigaret, the straight Maryland pipe tobacco and the straight Burley plug gave way to a new kind of combination—the blended American cigaret. Through the innovative marketing of skilled tobaccomen, it found acceptance throughout the world.

Although not a leading brand at the time of the company's rebirth in 1911, one of the 625 brand names assigned to Liggett & Myers by the court decree was Chesterfield. From 1912 on, Chesterfield was to play an increasingly important role in American smoking, and it benefited from the company's forward-looking concept of product improvement along lines dictated by changing taste.

In 1915, Chesterfield became one of the first cigarets shifted from the older slide-and-shell box into the more efficient tight paper-and-foil wrap.

By 1917, Chesterfield ads carried this paragraph: "The Chesterfield blend contains the most famous

This ad first appeared in the 1920s, before women took up smoking in a big way.

Turkish tobaccos—Samsoun for richness, Cavalla for aroma, Smyrna for sweetness, Xanthi for fragrance, combined with the best domestic leaf." The American blend had arrived!

During the 1920s and 1930s, the big three—Chesterfield, Lucky Strike and Camel—accounted for 95 per cent of the nation's cigaret sales.

In 1934, in the depths of the Depression, Milton E. Harrington, a North Carolinian who had graduated from Duke University, where he was captain of the baseball team, gave up his undergraduate aim of teaching and joined Liggett & Myers in Durham, N.C.

He served in a variety of tobacco posts—factory manager, leaf buyer and supervisor, manager of the company's leaf department—and in 1958 was elected a director and vice president-leaf.

Despite his almost classic tobacco industry background, Mr. Harrington was to put into effect a diversification program considered by many business and financial analysts as a model for the industry.

He moved to the company's New York headquarters as executive vice president in the early 1960s and became president and chief executive officer in 1964.

In that office, Mr. Harrington set forth the principle that Liggett & Myers was not only a tobacco company, but a packaged consumer goods company, of which cigarets and smoking tobacco would be but one—although an important—product line.

What the company had to offer potential acquisitions, he reasoned, was superior national marketing and financial leverages, along with in-depth experience as a distributor of consumer packaged goods.

In 1968, the firm's name was officially changed from Liggett & Myers Tobacco Co. to Liggett & Myers Inc., to be more descriptive of the diversified nature of its business.

One of the keys to the success of the Liggett & Myers diversification program is that all companies that are acquired must be in growth industries and have a good growth record.

Most importantly, there must be good, capable management—a continuation of the Liggett & Myers historical policy of emphasis on people.

Allen Products Co., maker of Alpo, our first acquisition, is an ideal example of the type of firm in which we've been primarily interested. Here the corporate input has been in terms of marketing and financial leverages, while the original Alpo management has remained in control of what has become the nation's leading canned dog food.

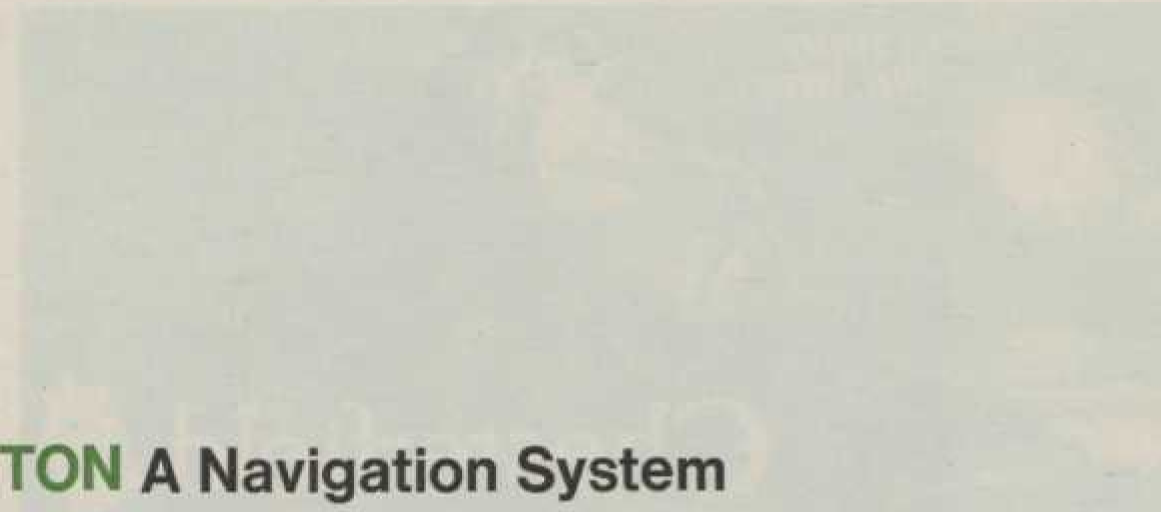
Liggett & Myers entered the alcoholic beverage business in 1966 with the acquisition of The Paddington Corp., importer of J&B Rare Scotch Whisky; and Carillon Importers, Ltd., which brings into the U.S. many fine wines, brandies and cordials, including the well-known Grand Marnier.

Expansion continued through the 1960s, with acquisition of National Oats Co., Inc., the cereal and popcorn producer, in 1967; and Brite Industries, Inc., a producer of watch bands and fashion accessories, in 1968. The following year, Austin Nichols & Co. was merged with Liggett & Myers, bringing Wild Turkey Bourbon and many fine imported wines and specialty liquors into the company's alcoholic beverage product lineup.

More recently, Liggett & Myers acquired The Earl Grissmer Co., marketers of household cleaning products under the Blue Lustre name, in 1970; and Mercury Mills of Ga., Inc., manufacturers of prepackaged, room-size rugs, in 1971.

In each instance, senior management of the acquired companies remains on board as a corporate asset of incalculable worth.

Liggett & Myers has come a long way, with the help and contribution of a great many people, since 1897 when its Chicago sales manager referred with perhaps understandable salesman's pride to its leading brand of plug chewing tobacco, Star, as "the commercial phenomenon of the age." END



LITTON A Navigation System Set a Course for Success

By CHARLES S. BRIDGE
Vice President and Group Executive, Navigation and Control Systems
Litton Industries

A U.S. Navy WF-2 early warning radar plane sped down the windswept deck of the *U.S.S. Bennington* and climbed into the clear summer sky off southern California. Squeezed into its cockpit with the pilot was an experimental electronic navigation aid—PRARS (Pitch-Roll-Azimuth Reference System).

Dr. Harold M. Bell, Litton guidance engineer who helped develop the system, watched anxiously from the aircraft carrier's deck as the plane faded from view.

The severe shock and vibration of carrier-based aircraft launchings and landings had washed out the electronic systems of many other companies. And, on that July 3 in 1959, doubters of the PRARS were legion.

To Dr. Bell and his associates at Litton Industries, that plane out over the Pacific represented more than five years of hard work and much frustration. The test was an important crossroads for their small, but fast-growing company. Would PRARS be successful? If so, could it be put into volume at a profit? Or would Litton have to write off its efforts in inertial navigation and move on to other fields?

Seventy-two minutes after the WF-2 left the *Bennington's* flight deck, it returned with a grinning pilot giving the traditional "thumbs up" sign of victory. Dr. Bell smiled. Five times that day, flight tests were made; and every time the pilot's thumb triggered another Bell smile, each broader than the last.

PRARS was the first inertial reference system to perform successfully in aircraft during catapult launchings and arresting gear landings aboard a carrier at sea. It was the beginning for Litton's Navigation and Control Systems Group.

Our *Bennington* tests followed a breakthrough in the inertial navigation field by Dr. Charles S. Draper, of the Instrumental Laboratory at Massachusetts Institute of Technology. Dr. Draper had built a 4,000-pound laboratory system in 1948. In 1953, he flew coast-to-coast in a B-50 guided by a smaller 2,800-pound device.

An inertial navigation system is a remarkable combination of a computer, accelerometers, gyroscopes and other electronics designed to provide precise guidance information. The system is not affected by weather changes or enemy electronic interference and does not require references to radio, radar, celestial bodies or other external devices for accurate guidance. Litton's inertial navigation work began in an unlikely location—Beverly Hills, which is noted more for movie star residences than for scientific achievement. The building selected for this important task in 1954 was a former sewing machine assembly plant.

At the time, the company's total sales were less than $3 million a year.

Most of the industry had its sights on guidance systems for the glamorous but crowded field of missile and space vehicles. From the very start, Litton elected to go its own way. Instead of glamor, Litton pursued the development of inertial navigation for the "prosaic" airplane.

It was quite a job. At the time, missile guidance systems weighed 200 to 300 pounds and needed to work reliably for only a few minutes during the boost stages of flight. On the other hand, a workable aircraft system had to be light, reliable and accurate for hours.

Litton's small team of bright, young engineers developed a new inertial systems concept.

One of the most revolutionary navigation system components pioneered by Litton was the two-degrees-of-freedom gyro. This was one of the key elements that later enabled us to mass produce inertial systems that were more accurate, lightweight, and lower in cost than our competitors'.

Following the successful PRARS

Simpler aids to travel in centuries past contrast sharply with equipment of today. That's a Litton inertial navigation systems platform at center.

flights and a contract to equip several Navy early-warning planes, we accelerated our development work, believing that all American military combat aircraft would eventually be outfitted with inertial navigation systems. Not so—at least as far as the U.S. was concerned. Germany and Canada, undistracted by the missile race, were the first to see the potential of these new systems. They ordered inertial navigation equipment from Litton for their NATO squadrons of F-104 Starfighters, with the provision that these units be assembled in their own countries.

In signing the contract, we promised to deliver the lightest weight system ever built—85 pounds! At the time, this was somewhat comparable to cramming an elephant into a match box.

Under rigorous quality control constraints imposed by Fred W. O'Green, then a division manager and now the president of Litton, we were able to meet this commitment. In so doing, we also set up the world's first mass production line for these complex systems and transferred our technology and manufacturing techniques to other nations. We built 2,730 equivalent systems (originals and spares) for the NATO F-104s.

Despite this achievement, the next generation military fighter plane—the F-4 Phantom—was designed to use another company's doppler radar navigation system. When Dr. Bell heard about this, he took it as a personal challenge. He persuaded the contractor to let us outfit just one plane. While Litton was rushing to do this, Dr. Bell collared every general and admiral he could reach to demonstrate our system's capabilities. The military finally was convinced.

From 1962 on, we received an almost unbroken string of competitively awarded contracts for thousands of Litton inertial guidance systems for use on virtually every type of military aircraft.

The PRARS and other successful Navy programs led to today's CAINS (Carrier Aligned Inertial Navigation System), which is standard equipment for new Navy carrier aircraft. The F-4 production of 3,800 equivalent units is still continuing and has paved the way for our LN-30 guidance system on the new Air Force F-15 fighters. Much of this success can be attributed to Dr. Bell, who died recently while serving as president of the navigation and control systems division he helped build.

For a time it looked as though we couldn't even get a foot in the door of the commercial market, though we tried. We considered dropping out of the field. But a study of its potential convinced us it was worth the struggle, at least for a while.

When American Airlines sought someone to outfit their Boeing 707 fleet of cargo jets for trans-Pacific flights in late 1968, we decided to give it one last try and finally won our first commercial contract for an inertial guidance system.

Scrambling hard since this winning bid, we have recorded a lengthy list of performance "firsts." Litton now has inertial systems on the aircraft of 23 different airlines, plus the Concorde SST. In addition, we provide more than 90 per cent of the inertial navigation systems used in business jets and in general aviation. As of today, Litton has produced more than seven times the combined total of all inertial systems manufactured by our competitors in both military and commercial markets.

Now, a new market is emerging in which inertial navigation is playing an important role—resources exploration. Planes carrying Litton experts have crisscrossed the North Sea, probing for hidden indications of petroleum and natural gas. Also, Litton is charting 2.5 million square miles of rain forest in Brazil and Venezuela, seeking iron, gold, diamonds and other earthly treasures.

Since Litton's 1954 start on navigation and control systems, its annual sales in this field have grown to more than $145 million, while total company sales have reached $2.4 billion a year. END

MISSOURI PACIFIC The Blueblood Who Brought Rails to the Rugged West

By DOWNING B. JENKS
Chairman of the Board
Missouri Pacific
Railroad Co.

St. Louis, bustling riverfront city of 78,000, had never witnessed a bigger celebration than the breaking of ground on July 4, 1851, for the Pacific Railroad, first railroad west of the Mississippi and first link in what is now the Missouri Pacific System.

The event had no relation to today's routine, 10-minute groundbreakings, staged for the television cameras, with a politician dabbing at dirt with a silver-plated shovel.

No indeed. It was a day-long celebration involving 25,000 people, scores of bands and smart military units, and many flowery speeches. The affair began at dawn with a 100-gun salute shattering the quiet and ended at dusk after each of five distinguished men had personally loaded a wheelbarrow with dirt and dumped it onto the virgin trackbed.

We are told it was a warm, sultry Fourth of July and we can imagine that many participants were hot and thirsty. There were bills for such items as 40 gallons of brandy, 10 gallons of rum, a cask of claret, barrels of punch and several hundred pounds of ham, cheese and crackers. There was even an accounting for 15 kegs of gunpowder used in impromptu salutes that echoed across Chouteau Pond in what is now downtown St. Louis.

No one there could have enjoyed himself more than Thomas Allen, even if he was among the five men who had to push a heavy wheelbarrow through the humid air.

Mr. Allen, the principal organizer and first president of the Pacific Railroad, came from a Pittsfield, Mass., family long on blue blood but short on green cash. First a journalist and then a lawyer, he had already achieved high status in the St. Louis business community.

By the time he died at 69, he had parlayed $25 and a diploma from Union College into a personal fortune of $15 million.

There already were more than 9,000 miles of track in the East, at least twice as many miles as then had been constructed elsewhere in the world.

And many men recognized the great value that railroads would have in the West, with its millions upon millions of acres of largely uninhabited and undeveloped land.

Railroad charters were being handed out freely and big plans were continually under way.

But no rail had been laid. In these pre-Civil War days, leaders of the North and the South feared the advantage one side or the other would gain from an east-west railroad. And both above and below the Mason-Dixon line, local factions warred among themselves for inclusion on any proposed routes. The general public attitude blew first hot then cold, depending upon financial conditions and such distractions as the Gold Rush of 1849.

Taking into account the troubled times and the political maneuverings, Mr. Allen astutely decided that if he could go ahead and raise enough money to actually build a railroad, all opposition would fade. He and his backers secured a charter on March 12, 1849, and quietly planned the financing of $10 million required to start the Pacific Railroad on its way to San Francisco.

Meanwhile, other would-be builders were busily trying to work out their differences at railroad conventions in Memphis and St. Louis.

Mr. Allen, then 35, an impressive-looking six-footer with prematurely white hair, was an indefatigable organizer and a smooth salesman. He needed all his gifts to convince his sometimes wavering incorporators that their investment would pay off.

"Who, that knows anything of railroads, can doubt that its realization is perfectly within our reach?" Mr. Allen asked a meeting of incorporators. "The railroad is a noble and profitable work, reflecting the highest

Construction of what is now the Missouri Pacific Time: about 1870. Place: downstate Missouri.

credit upon its projectors and its finishers."

In addition to the purple prose, Mr. Allen spelled out in great detail just what the railroad would mean to the development of the West and just what it would haul at what prices.

Construction of the Pacific Railroad proceeded at a turtle's pace despite the enthusiasm which marked the groundbreaking ceremonies. The first run of five miles was finished quickly enough, by Dec. 9, 1852. But despite the best efforts of the brilliant Scottish engineer, James Kirkwood, it was 1855 before the little line had stretched 100 miles to Jefferson City.

Another decade, which saw the Civil War, passed before rails finally linked St. Louis with Kansas City, less than 300 miles to the west. Financial panic, outbreaks of disease among the workmen and the havoc inflicted by raiding Southern troops combined to slow construction.

Once construction actually began on the Pacific it seemed as if a logjam were broken. Literally dozens of railroads began pushing south, west and southwest across the land on the unsettled side of the Mississippi. Many eventually became part of what is today's Missouri Pacific System, most of them south and southwest of St. Louis.

Mr. Allen, who had relinquished the presidency of the Pacific before 1855, played a leading role in organizing some of these early railroads, most notably the Iron Mountain and the Southwest Branch of the Pacific Railroad. He was to remain active in railroad development for many years.

Thomas Allen would be pleased today if he were alive to see just what he started in motion that July day in St. Louis more than 100 years ago.

Today, after many changes in corporate structure and after surviving a 23-year receivership that did not end until 1956, the Missouri Pacific System is one of the nation's largest and healthiest transportation firms. It stretches from Chicago to Pueblo, Colo.; from Brownsville, Texas, to New Orleans and Memphis.

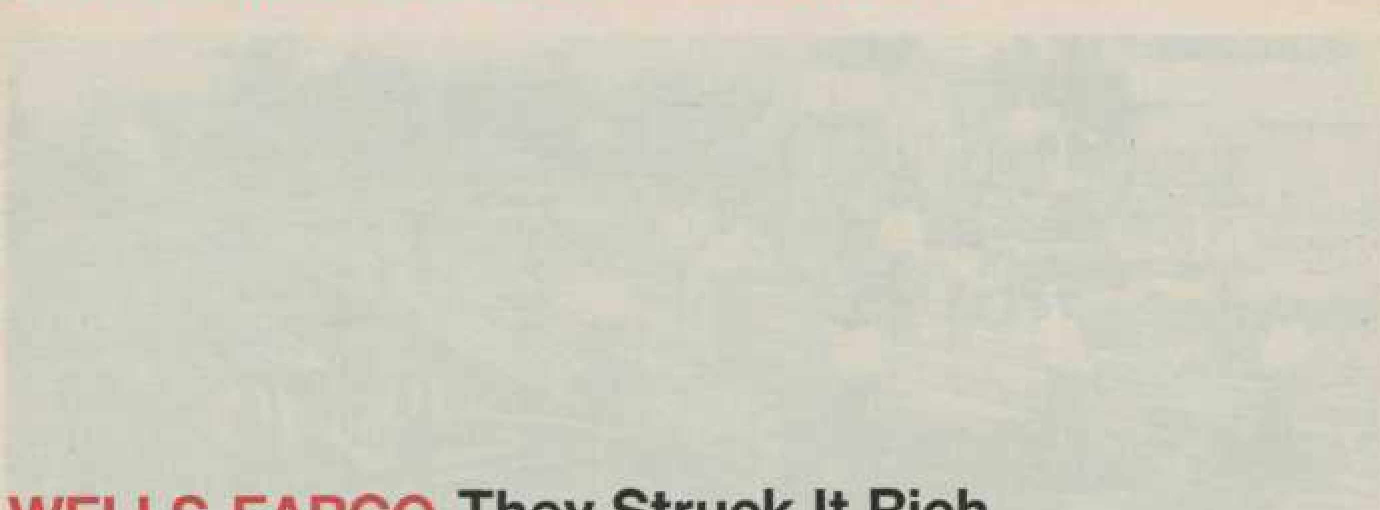
It reaches such major metropolitan areas in between as St. Louis, Kansas City, Omaha, Little Rock, Tulsa, San Antonio, Dallas-Ft. Worth and Houston. It includes three major railroads—the Missouri Pacific and two subsidiaries, the Texas & Pacific and the Chicago & Eastern Illinois—plus two wholly-owned trucking subsidiaries that operate more than 3,000 units over 18,000 miles of highway.

Its annual revenues surpass $600 million and its net income runs well over $20 million, both figures having doubled in the past 10 years. In 1972 it spent $92 million on modernization, nearly 10 times the amount that Mr. Allen and his incorporators initially invested in the little Pacific Railroad. But Thomas Allen would be most proud of the role the Missouri Pacific played in opening the West and Southwest to expansion, a role it continues to play today.

During the years before and after the Civil War, Missouri Pacific agents combed Europe and the Eastern U.S. for people to settle the new lands, and the railroad even maintained low-cost hotels and boarding houses for the newcomers until they could get established on their own. Its agricultural agents predated the U.S. Department of Agriculture and worked vigorously to help farmers and stockmen develop new crop and livestock varieties suitable to survival in the new lands.

Today, this development role continues in a different form with efforts to attract new industry to the region. During the past five years, for instance, more than 1,700 firms have spent $3.2 billion on new and expanded industrial facilities along the Missouri Pacific's lines.

In an era which has found many once proud railroads sinking into financial difficulties, the Missouri Pacific thrives as a living memorial to a great man who had the fortitude and skill to make his dream come true. The Missouri Pacific has had many fine presidents, but like the United States, it holds its first president in highest esteem. END



WELLS FARGO They Struck It Rich by Not Rushing to the Gold Rush

By RICHARD P. COOLEY
President and Chief Executive Officer
Wells Fargo & Co.

It was an awesome, unbelievable spectacle. Supposedly sane men left crops unattended, abandoned their herds, kissed wives and families a hasty goodby and set out for the wild "wastelands" of California. Ships arriving at a village called San Francisco were abandoned by their crews and left to rot in the harbor.

All humanity, it seemed, using any conveyance, any means, was bent on a wild, reckless flight to the West.

The reason rested in the riverbeds and rocky crags of the Sierra Nevada Mountains, where a few shiny yellow flakes of gold discovered at Sutter's Mill in Coloma in 1848 touched off one of the wildest rushes for wealth in history.

All this was observed with more than just a passing interest by two men 3,000 miles away in New York. Vermont-born Henry Wells and New Yorker William G. Fargo were established, experienced expressmen. Mr. Wells had demonstrated his imagination and gumption by engineering the delivery of fresh oysters from Albany to Buffalo. Mr. Fargo, at the age of 13, had run a 30-mile mail route. Putting their bearded heads together, the two men decided there would be a need for a dependable banking and express operation to serve California. As hordes of people swept across the country to seek their fortunes in the gold fields, other banks and express companies raced to San Francisco to set up shop.

But not these gentlemen.

With characteristic prudence and careful planning, they waited and watched. Was the sudden move to California a passing fad, or would it bring stability and lasting prosperity to the area?

By 1852, Mr. Wells, then 47, and Mr. Fargo, 34, knew that the migration westward was irreversible. The time had come to act. They met on March 18, 1852 at New York's plush Astor House and formally launched a banking and express company to serve Gold Rush California.

The new venture, Wells Fargo & Co., may have been born amid the staid comforts of the East, but it would become synonymous with all that wildness and daring in the rough 'n tumble days of the Old West. It was a name that would forever conjure up images of stagecoaches plying rugged Western trails, of treasure boxes laden with gold, of gallantry, gumption and derring-do.

Shortly after the historic meeting, banker R.W. Washburn and expressman Samuel Carter were dispatched to San Francisco to open an office on Montgomery St., then as now center of the city's financial life.

The policy of "wait and see" before venturing westward paid off for Wells Fargo & Co. When its office opened its doors in July, 1852, there was already considerable competition. But the sound business practices of Messrs. Wells and Fargo, based on experience, soon made a difference. The company expanded rapidly, and early in its corporate existence established a reputation for honesty and dependability.

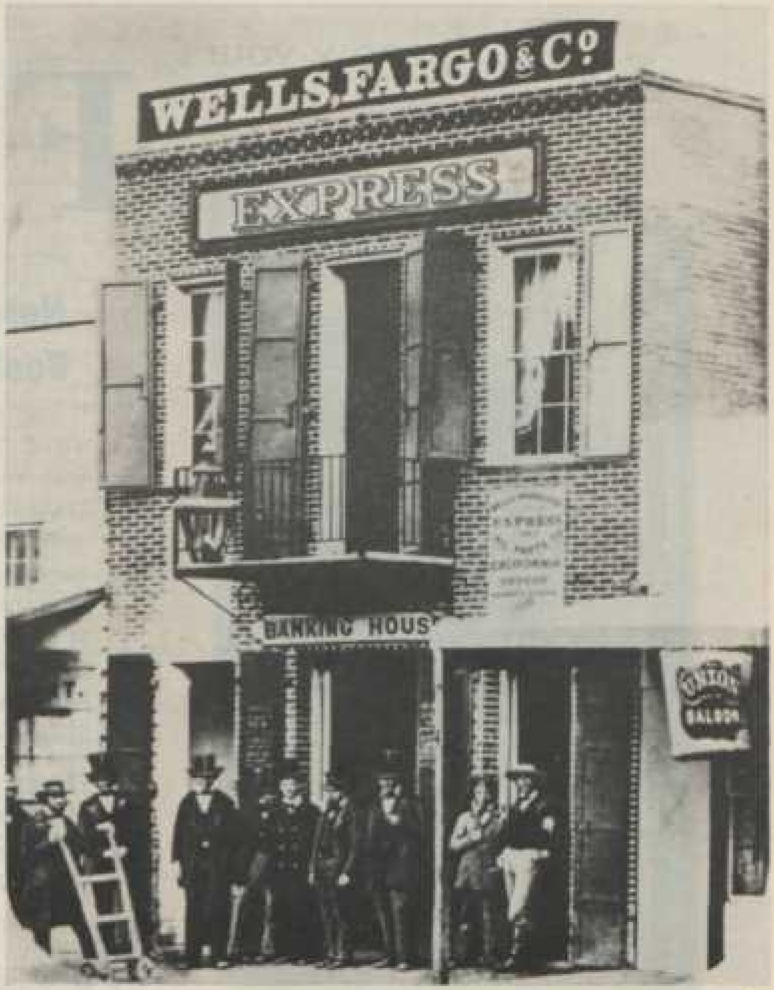
In 1855, failure of an Eastern bank caused panic in San Francisco. Every bank in town—with the exception of Wells Fargo—had closed. Two or three later attempted to reopen, but have since disappeared into history.

From the start, Wells Fargo & Co. offered a broad range of banking and express services: protecting gold as well as other monies, exchanging gold and greenbacks, making purchases, selling merchandise, collecting on notes and waybills, paying taxes.

No task was too large for the firm, no assignment too small.

One of its most important services in those fledgling days was the delivery of the United States Mail. Wipe the dust from the side of a stagecoach and you'd be likely to see the emblem miners in distant gold camps found most heartening—WELLS FARGO, U.S.M.

A symbol of the Old West, this Wells Fargo stagecoach now dominates a museum in the bank's headquarters.



Wells Fargo opened for business on San Francisco's Montgomery St. in July, 1852, and a photographer duly recorded the event. Not many firms so old have pictures actually taken at their births.

Wells Fargo established a reputation among Westerners that commanded absolute faith, so much so that even wives and children were shipped as "express." One 1866 journalist wrote of the company:

"A billiard saloon, a restaurant and a Wells Fargo office are the first three elements of Pacific or Coast mining towns. It is the omnipresent, universal business agent of all the region from the Rocky Mountains to the Pacific Ocean. Its offices are in every town, far and near. Its messengers are on every steamboat and railcar and stage in these states. It is the ready companion of civilization, the universal friend and agent of the miner, his errand man, his banker, his post office."

A milestone was reached in 1866 when Wells Fargo & Co.'s staging empire hit its peak with the consolidation under its own name, ownership and operation of the entire Great Overland Mail Route from the Missouri to the Pacific, as well as thousands of additional miles of stagecoach lines in California, Nevada, Utah, Idaho, Montana, Wyoming, Colorado, Kansas, Oregon and Washington.

While these were active, exciting years of expansion for the express portion of the business, they were times of quiet, steady development for the banking end, which continued to be centered in San Francisco. The banking and express arms went their separate ways in 1905 and in 1918, under wartime restrictions, Wells Fargo Express was merged with other express firms into the American Railway Express.

Wells Fargo Bank continued its growth. In 1969, when it decided to form a one-bank holding company—at the time it had well over 250 branches in California—it seemed only appropriate that it take as its name the same legendary, pioneering one of a century earlier. Wells Fargo & Co. had come full circle.

Today Wells Fargo has $8.5 billion in assets, 291 branches and 10,000 employees. But it is something more than a large financial institution. It's a treasure house of the past. Much of the history and hardware of the Old West is preserved in the museum in its San Francisco head office. There, among gold pieces, six-shooters, treasure boxes—*and* large portraits of Mr. Wells and Mr. Fargo—you can see the only stagecoach left on Montgomery St. END

Advertisers in This Issue

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Metro Advertisers

Drastic cost cutting

Not my job

Telltale Signs of Weakness in a Company

Words that aren't meant to describe a firm can do so all too well—if executives are constantly using them

What's your opinion of XYZ Co.?

Is it well thought of by employees and customers?

Are its dealings with suppliers above reproach?

Does it use outdated methods of operation and control?

If you were thinking of working for XYZ Co., or buying its stock, you would want answers to questions like these.

In short, you would like to know if the company is stable and progressive—and if it will prosper and grow.

Aside from examining its profit and loss statement, how would a management consultant go about looking for a firm's strengths—or weaknesses?

Let's assume he would make an internal study of the company and solicit the views of its executives. If he kept hearing certain words, they would have a major bearing on what he had to report. For example:

• *"We've really got to cut costs."*

Any firm must control costs if it is to prosper and grow. But impulsive, drastic cost cutting may hurt a business more than it helps it.

When a decision is made to really cut costs and to do it quickly, many functions may suffer.

A poor management may minimize maintenance, drastically cut advertising, eliminate research and reduce the staff. But a wise management, in hard times, tightens up a bit and tries to ride out the storm, realizing that most drastic measures may mean backward steps for the company as well as for the community.

• *"It's not my fault."*

Blaming others is a way of absolving yourself. Coming from an executive, it indicates a lack of true concern for the company's welfare.

The capable manager does not explain an error in judgment or a poor decision by passing the buck. That can demoralize an organization.

Placing the blame on an individual, rather than on an idea, is even more damaging and destructive. Criticism, if expressed at all, should be limited to ideas and not applied to people.

• *"It's up to our experts."*

Although a company may need special skills, they must be coupled with broad education, insight and proficiency in business procedures to be of real value in an executive.

The specialist is needed in business. But his place is not in top management—unless he is also a generalist. Usually, the specialist is so well developed in his own field that he has not had time to become skilled in overall management.

• *"That's not my job."*

Executives who won't do a bit more than what is asked of them lack initiative and ambition.

The same is true of other employees, all the way down the line.

In the plant, a strong union with rigid craft lines can cost a company real money if workers hold up projects by refusing to do anything other than their own specific jobs.

The attitude that other small tasks, especially if they're menial, should be done by someone else shows a lack of concern for the company's operating costs.

DRAWINGS: CHARLES A. DUNN


The committee will decide


He runs the company

For example, many firms could get by with skeleton janitorial staffs if everyone did his share to keep the plant—or offices—neat.

• " 'They' want us to do it."

The word "they" is a red flag. If it is used when discussing an action to be taken, it suggests disagreement on what needs to be done or who's to do it. Failure to say "we" implies a lack of unity.

"They" may indicate bad blood between management and the troops.

Or it may suggest disagreement, even open warfare, between divisions or departments. If the sales staff, before customers, criticizes the production department's ability to meet shipping schedules or quality standards, it gives the entire company a black eye.

• *"Put it on my expense account."*

Although it's common practice today to woo a prospective customer with gifts and lavish entertainment, this has disreputable overtones. Besides, according to some studies, such attempts at persuasion usually are a waste of money.

Liberal expense accounts are also a source of resentment among employees who don't enjoy them—but who do just as good a job for the company as those who have that privilege.

• *"It'll never work."*

Lack of enthusiasm for anything new keeps an organization from progressing and growing. That viewpoint is a sign of resistance to change—an attitude hardly synonymous with progress.

Pessimism has no place in a company which needs innovation and enterprise in order to survive. If management is apathetic, how can it expect employees to be optimistic—or interested?

• *"We've got to get off the hook."*

When a department manager says this, he's thinking only of his own welfare and placing his department's interests above that of his company.

Regardless of what job he holds, you can be sure that action he takes will not solve the problem but merely shift it to someone else. The company is the loser.

• *"The committee will decide."*

The true function of a committee is to advise. When it becomes a decision-making body, it hinders timely, meaningful action. Too often, management decisions are put off by saying: "More study by the committee is needed."

Committees often fail because of poor leadership, procrastination and faulty communication.

• *"He runs the company."*

Today's organizations need skilled and widely experienced leadership—more than any one man can provide.

Still, we see companies that are one-man shows. Too often, this breeds fear, impedes initiative and creates confusion.

As that lonely figure at the top ages or becomes set in his ways, his company no longer grows and prospers. When he fails, all fail.

Finally, remember that factors which cause dissension in a company are often the result of poor human relations. It's easy for the company president to say: "People are our greatest asset." But if those people think poorly of their company, it lacks one of the requisites for business success. Good morale, and pride in the company and its products, especially when visible to outsiders, help the company's prestige and promote its sales.

And in that sense, people are any company's greatest asset.

—W.H. WEISS

REPRINTS *of "Telltale Signs of Weakness in a Company" may be obtained from Nation's Business, 1615 H St. N. W., Washington, D. C. 20006. Price: One to 49 copies, 35 cents each; 50 to 99, 30 cents each; 100 to 999, 17 cents each; 1,000 or more, 14 cents each. Please enclose remittance with order.*

This Month's Guest Economist

Dean E. Wolcott
Senior Vice President
Aetna Life & Casualty

Inflation-Proof Insurance

A friend of mine purchased a $100,000 fixed dollar life insurance policy in 1954. He thought it was a good deal.

He bought the policy to provide enough money for his family in the event of his early death, and for the possible use of the accumulated cash values to provide retirement income.

But over the years, economic trends developed that he didn't plan on. Instead of inflation at a moderate rate, we have had inflation at an alarming rate. The policy's present cash value, $34,450, has been reduced in purchasing power to $20,000 in 1954 dollars. And the $100,000 death benefit has eroded to $65,500 by 1954 standards.

This is one reason why insurance companies today have only 18 per cent of individuals' savings dollars—down from a peak of 54 per cent at the end of World War II.

Where is the money going?

A significant chunk is being placed in common stocks, mutual funds and variable annuities. And why not? All are geared to grow with the economy and will give their owners the opportunity to escape inflation punishment. It's not surprising, with inflation uppermost in many minds, that fixed dollar investments like life insurance are losing the competition with these equity products.

Is a person's only choice between buying term insurance and investing the difference (which most people don't do), or buying more whole life and praying for an end to inflation (which doesn't seem to be happening either)?

Some of the more progressive insurance companies believe the answer is No.

They've designed a product with the deflation-proof death payment advantages of whole life and the inflation-cushioning advantages of equities.

It's called variable life insurance, and it works like this: Reserves are invested largely in common stocks (instead of fixed return investments), giving the buyer the chance of having his cash value and death benefit keep pace with the cost of living. This hedge against the effects of inflation is coupled with the downside protection of a guaranteed minimum death benefit so long as the policy is on a premium-paying basis—no matter what happens to the insurer's investment portfolio.

Can variable life insurance be bought in the U.S.? Only in qualified corporate pension and profit sharing plans, so far. Variable life insurance for individuals has become the subject of debate over whether it should be regulated by the Securities and Exchange Commission as a security or by state insurance departments as a life insurance product. As this article was written, the SEC was still considering the issue.

Suppose, for a moment, that instead of a whole life policy, my friend had the opportunity to purchase a $100,000 variable life contract in 1954. Using the actual investment experience of Aetna's subsidiary, Aetna Variable Annuity Life, how would he have fared if a death claim was made or the cash value was needed today?

The variable life policy's cash value, because it has kept pace with the economy, would amount to almost $53,000. Over the same period, as I've already pointed out, the whole life's cash value of $34,450 would actually have eroded in purchasing power to $20,000.

The variable's death benefit would have swelled to $173,448—or nearly $74,000 above its $100,000 face amount. That's a wide leap beyond the $65,500 worth of actual purchasing power that the $100,000 whole life's death benefit would provide.

Another way to view my friend's increased death benefit is to see how it would provide for his family in the event of death. Not accounting for interest, if his widow took an annual income of $10,000 from the whole life policy, the benefit would last her about 10 years. Under identical circumstances, the variable policy would provide her income for about 18 years.

Glancing backward to various intervals in the growth of my friend's variable policy reveals further evidence as to its ability to withstand either inflation or deflation.

At the five-year-mark his death benefit was $119,861—19 per cent greater than the face amount. Cash value stood at better than $6,000. In the tenth year, his death benefit was $156,037—a rise of 56 per cent over the policy's face amount—and his cash value was almost $22,491.

Protection in a deflationary economy would have been demonstrated in 1957, when the stock market took a nose dive. Theoretically, that fall produced investment results which would only support an $87,000 death benefit. With variable life, however, if the contract had been on a premium-paying basis and my friend had died that year, his family would have received the guaranteed minimum death benefit of $100,000.

It's clear, then, that with a variable life policy these past years, my friend would have fared pretty well.

So, when variable life does come to the marketplace, it should virtually revolutionize the business of life insurance. Its arrival should make my friend and people like him excited about life insurance's potential.

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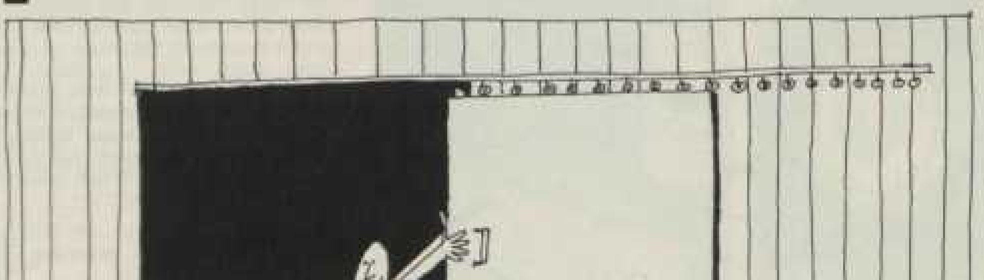

If you have a seasonal seller like tires and try to keep production steady, you get a big inventory between sales peaks.

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Our production-leveling proposals have also solved a 25-million-pound chemical problem for DuPont and an off-season antifreeze storage problem for Dow, to name a few.

If one of our warehouses is located between your plant and its markets, Gulf Atlantic can do even more for you: in-transit storage.

For example, we store Ciba-Geigy agricultural chemicals en route to market for up to 6 months. They get a break on freight rates, and add value by storing the product closer to market.

Find out what we'll propose for your products. Write:

Gulf Atlantic—Sales,
P.O. Box 2588, Houston,
Texas 77001. Or call (713) 686-9221.

Gulf Atlantic: A Great Idea in Warehousing.

Warehouses at: Birmingham and Montgomery, Alabama; Denver and Brighton, Colorado; Atlanta, Georgia; New Orleans, Louisiana; Charlotte, North Carolina; Greenville, South Carolina; Memphis, Tennessee; Houston and Dallas-Arlington, Texas; Seattle and Spokane, Washington.

BUSINESS A LOOK AHEAD

BY GROVER HEIMAN
Associate Editor

AGRICULTURE

Within a year, a completely organic food preservative may be keeping fish, meat and dairy products fresh at refrigerator temperatures for longer periods in the nation's food stores.

A search for preservatives has been spurred by Food and Drug Administration bans on previously used antibiotic agents, and University of Wisconsin food scientist Dr. A. Larry Branen believes he's found a substitute.

It's a substance "produced by a kind of bacteria that has been consumed for many years in cheese, buttermilk and other fermented foods," he says. The bacteria are added to dried whey, where they propagate rapidly, forming a preservative that can then be put into foods. There's a bonus: The whey adds protein to the foods.

According to Dr. Branen, the preservative also prevents growth of disease-causing bacteria which often infect hospital patients. In a year, he expects to have a full evaluation and FDA approval.

CONSTRUCTION

By using a glass fiber-reinforced bonding material, builders can now construct concrete block walls in half the time, even with unskilled labor. Why? Because it isn't necessary to mortar between the blocks and install joint reinforcement.

Once the foundation is laid and the first layer of blocks is set in a bed of conventional mortar, the remaining tiers of blocks are "dry-stacked." Then a one-eighth inch layer of a mixture of cement, hydrated lime and glass fibers is troweled over the surface.

The result is a tightly bonded, water-resistant coating that provides structural strength greater than that gained through currently popular construction practices, claims Owens-Corning Fiberglas Corp., which is now marketing the mixture commercially under the trade name of Bloc Bond.

The original formulation came from the U.S. Army Corps of Engineers in 1967. Subsequently it was successfully used by the Agriculture Department in constructing migrant labor quarters. Taking the concept a step further, Owens-Corning developed an alkali-resistant type of glass fiber that promises to give the bonding material a 70-year life span.

FOREIGN TRADE

Of continuing interest to U.S. businessmen will be a Common Market anti-inflation campaign, which includes the first attempt to regulate the money supply within that newly expanded economic bloc.

On Nov. 1, the Market's Council of Ministers adopted "guidelines" aimed at limiting consumer price increases to 4 per cent from December, 1972, to December, 1973; tying the money supply and public spending to growth in gross national product; and temporarily reducing tariffs and liberalizing quotas to expand the supply of consumer goods and relieve price pressures.

The guideline for the money supply allows annual expansion of up to 8 per cent, i.e., double that of the consumer price guideline. But some member nations couldn't meet the 8 per cent goal until 1974 at the earliest. They have been allowing their money supplies to grow at a rate of 25 per cent.

There will be an assessment in March of how well the Common Market countries are doing in voluntarily meeting the guidelines. Probably, Great Britain, which froze wages, rents, dividends and prices six days after the guidelines were adopted, will have chalked up the best record. Britain, along with Denmark and Ireland, has just joined the Common Market.

MANUFACTURING

An unusually small increase in capacity is the outlook for the paper industry over the next three years.

The American Paper Institute projects an annual increase of 1.4 per cent in paper and paperboard plant capacity and of 1.2 per cent in pulp production through 1975.

In a recent survey, the Institute found only 16 new paper and paperboard machines are scheduled for installation to add to the existing capacity of the more than 700 mills in the U.S. These will provide 1.3 million tons of new production. An additional 1.4 million tons of increased capacity will come from improvements in mills' existing equipment.

Still, says the Institute, this will mark the smallest growth, "by far, in any three-year period since the end of World War II."

Another indicator of slowing growth comes from the Fibre Box Association, whose industry had an 8.5 per cent increase in demand last year. In 1973, it's expected that annual sales growth will drop to 5.5 per cent and in 1974, to 4 per cent.

However these gains are taxing industry capacity. Kraft mills this year, it's estimated, will have to work at 97 per cent capacity to meet the demand.

MARKETING

A 20 per cent tax credit is the top selling point the federal government and businessmen will use to market the revised Work Incentive (WIN) program this year.

Called WIN-2, it's a program under which as much as $200 million in the way of federal income tax credits could accrue annually to employers who hire welfare recipients.

The employer will receive a job development tax credit equal to 20 per cent of the employee's wages for the first year, providing he makes the job available for another year.

"Moreover," says Assistant Secretary of Labor Malcolm R. Lovell Jr., "employers can be reimbursed for on-the-job training and also claim the new five-year amortization of child care and training facilities."

By next June 30, some 1.2 million welfare recipients will be required to register with local manpower agencies, and an additional 300,000 are expected to register voluntarily. The Labor Department, aided by the National Alliance of Businessmen, hopes to place up to 200,000 of them in jobs.

NATURAL RESOURCES

The heat pipe, first used to warm and cool spacecraft and to cool nuclear reactors, will revolutionize the heating and cooling industry, some experts think.

It's an extremely high-performance isothermal system which uses the principle of capillary action, thereby eliminating mechanical pumping. More simply explained, it's a sealed tube containing a liquid and a wick; when heat is applied to the tube, the liquid continually evaporates and condenses at opposite ends of the wick—transporting heat in the process. There's comparatively little heat loss between the point where the heat originates and the point to which it's going.

According to the National Aeronautics and Space Administration, the pipe transfers heat 500 times more efficiently than other types of conductors do.

A recent commercial application has been in recovering and recirculating heat from chimney flues. Reportedly, one such system, as an "add-on" to an existing home or industrial heating plant, increases its efficiency as well as its economy by 10 to 15 per cent. The system's manufacturer, Isothermics, Inc., of Clifton, N.J., says that it sells for about $125 installed.

Current examples of heat pipes in consumer products are a "cooking pin" used by housewives to evenly distribute heat when roasting meat, and a substitute for the dipstick that lowers the oil temperature in motorcycle engines by 25 per cent.

TRANSPORTATION

Larger truck trailers, inside and out, are in the future for most American highways, according to a recent survey by the Truck Trailer Manufacturers Association, Inc.

The Association notes that interior dimensions are increasing significantly as manufacturers strive to gain more usable space in the new units. And the trend towards longer trailers continues.

Ten years ago, 96 per cent of the trailers manufactured were 40 feet or less in length. Last year 85 per cent were over 40 feet, with nearly a third of these being in the 45 foot category.

Most states allow maximum lengths ranging from 55 feet to 65 feet. Common length of American tractor units is between 12 feet and 15 feet.

Editorial

For Many Happy New Years

Forecasters agree that 1973 should be a year of peace and prosperity.

Peace seems to be on the way. What about prosperity? This year, sure. All signals are go.

We must not forget, however, that real prosperity—the good life—can be produced only when our marvelous economic system is allowed, and even encouraged, to perform the way it should.

There are a few who would destroy our system. There are many others who demand radical changes for all kinds of social and political purposes.

Let's be sure we don't trade that magic goose for a nestful of eggs made of fool's gold.

Ford's Louisville Line sure is making time with the fleets. Roadtime, that is!

Surprising how often you see a big-fleet name on an L-Line Ford. Just three years after introduction, Ford linehaulers are piling up the mileage for top fleets.

One reason: driver enthusiasm for Ford's better ideas. Ideas like the steering wheel that adjusts 4" fore and aft yet maintains its comfortable 20° angle. Like E-Z Read Gauges that all read "normal" at 3 o'clock. And like the extra-roomy cabs.

Servicing? You get important shop-time savings from Ford features like the easy-to-reach electrical junction blocks. The color-coded nylon air lines. The tilt-out instrument panel. The full-tilt hood.

Great durability is built in at every point. Frames are of premium steel up to 110,000 psi. And deep-dip Electrocoat primer painting offers superior rust protection.

Does Ford build L-Liners to suit your hauling needs? Choose from long or short conventionals . . . single-axle or tandem-axle models to 70,000-lb. GVW...GCW ratings up to 80,000 lb. Check the specs with your Ford Dealer.

THE TRUCKS WITH BETTER IDEAS
FOR MORE ROADTIME, LESS DOWNTIME

FORD HEAVY-DUTY TRUCKS

FORD DIVISION